

Period from 29 July 2002 (date of incorporation) to 31 March 2003

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability on 29 July 2002 and its shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 June 2003.

The Company did not carry on any business during the period from 29 July 2002 (date of incorporation) to 31 March 2003.

2. PRINCIPAL ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the principal accounting policies adopted by the Company is set out below.

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost.

Taxation

The charge for taxation is based on the results for the period as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future. A deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

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3. LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

	HK\$'000
This is stated after charging:	
Directors' emoluments	–
Auditors' remuneration	–
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4. TAXATION

Hong Kong Profits Tax has not been provided as the Company has no assessable profit for the period.

5. DIVIDENDS

	HK\$'000
Final dividend proposed after the balance sheet date of HK4.0 cents per share	<u>19,000</u>

6. DUE TO IMMEDIATE HOLDING COMPANY / FELLOW SUBSIDIARIES

The amounts due are unsecured, interest-free and have no fixed repayment terms.

7. ISSUED CAPITAL

	HK\$'000
Authorised, issued and fully paid:	
1,000,000 shares of HK\$0.10 each	<u>100</u>

The Company was incorporated in Bermuda with limited liability on 29 July 2002 with HK\$100,000 authorised share capital of 1,000,000 shares of HK\$0.10 each, all of which were issued, allotted and credited as fully paid on 19 August 2002.

Changes in the share capital of the Company subsequent to 31 March 2003 are set out in note 8 to these financial statements.

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8. POST BALANCE SHEET EVENTS

- (a) By written resolutions of the shareholders of the Company passed on 9 June 2003, the authorised share capital of the Company was increased from HK\$100,000 to HK\$100,000,000 by the creation of an additional 999,000,000 shares of HK\$0.10 each.
- (b) Pursuant to the written resolutions of the shareholders of the Company passed on 10 June 2003:
- (i) the issue of 78,500,000 shares of HK\$0.10 each for cash at HK\$0.88 per share by way of public offer and placing was approved (the "Share Offer") and the Directors were authorised to allot and issue these new shares;
 - (ii) conditional on the share premium account being credited as a result of the Share Offer, a total of 394,273,324 shares of HK\$0.10 each would be allotted as fully paid at par to the shareholders whose names appeared on the register of the members of the Company at the close of business on 25 June 2003, in proportion to their then existing shareholdings in the Company by way of capitalisation of the sum of HK\$39,427,332 standing to the credit of the share premium account of the Company.
- (c) The Company and its present subsidiaries (the "Group") underwent a reorganisation to rationalise the group structure in preparation for the listing of the Company's shares on the Stock Exchange (the "Reorganisation"). Following the Reorganisation, Ocean Grand Chemicals (BVI) Limited ("OG Chemicals BVI") became the intermediate holding company and the Company became the holding company of the Group. The Reorganisation involved the following:
- (i) OG Chemicals BVI was incorporated in the British Virgin Islands on 24 July 2002.
 - (ii) On 9 August 2002, one ordinary share of OG Chemicals BVI was allotted and issued for cash at par to Successful Gold Profits Limited ("Successful Gold"), the immediate holding company of the Company.
 - (iii) On 6 June 2003, two ordinary shares of Kenlap P.G.C. Manufacturer Company Limited ("Kenlap") were allotted and issued for cash at par to OG Chemicals BVI and its nominee.
 - (iv) On 6 June 2003, in consideration of the allotment and issuance of 1,006,476 shares of US\$0.01 each in the capital of OG Chemicals BVI to Successful Gold, 1,006,477 shares of HK\$1.00 each in the issued share capital of Kenlap held by Successful Gold and its nominee were converted into 1,006,477 non-voting deferred shares of HK\$1.00 each.

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8. POST BALANCE SHEET EVENTS (continued)

- (v) On 6 June 2003, in consideration of the allotment and issuance of 106,875 shares of US\$0.01 each in the capital of OG Chemicals BVI to twelve independent investors in accordance with their respective proportion in the shareholding in Kenlap, 106,875 shares of HK\$1.00 each in the issued share capital of Kenlap held by the twelve independent investors were converted into 106,875 non-voting deferred shares of HK\$1.00 each.
- (vi) On 9 June 2003, the Company acquired 1,113,352 shares of US\$0.01 each of OG Chemicals BVI from Successful Gold and the twelve independent investors, and issued 1,012,915 shares, credited as fully paid, to Successful Gold and 213,761 shares, credited as fully paid, to the twelve independent investors.
- (d) On 26 June 2003, 78,500,000 new shares of the Company were issued for cash at HK\$0.88 each under the initial public offering of the Company's shares.
- (e) In accordance with the terms as mentioned in note 8(b)(ii) above, 394,273,324 new shares of HK\$0.10 each were allotted on 26 June 2003.

9. CONTINGENT LIABILITIES

During the period and as of the date of these financial statements, the Company has given corporate guarantee to a bank in respect of the banking facilities granted to a company which subsequently became the Company's subsidiary upon the Reorganisation mentioned in note 8 above. The facilities amount granted as at the balance sheet date was HK\$15,600,000 and it has not been utilised as at the balance sheet date.

Subsequent to the balance sheet date, the Company has granted corporate guarantee to another bank in respect of the banking facilities amounting to HK\$11,650,000 granted to the subsidiary as mentioned in the above paragraph.

10. ULTIMATE HOLDING COMPANY

The Directors consider the ultimate holding company at the balance sheet date is Ocean Grand Holdings Limited, a company incorporated in Bermuda and listed on the Main Board of the Stock Exchange.