Year ended 31 March 2003

1. GENERAL

The Company was incorporated as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda on 29 July 2002. Its ultimate holding company is Ocean Grand Holdings Limited, a company which is incorporated in Bermuda and listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Pursuant to a group reorganisation (the "Reorganisation") to rationalise the group structure in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the companies now comprising the group formed after the completion of the Reorganisation on 9 June 2003 (the "Group").

The Reorganisation principally involved the exchange of shares of the Company with all the issued share capital of Ocean Grand Chemicals (BVI) Limited. Details of the Reorganisation are set out in the prospectus issued by the Company dated 17 June 2003.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, these proforma financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of the Group, or since the dates of incorporation of the companies now comprising the Group to 31 March 2003. The Directors consider that this basis provides meaningful information for shareholders as regards the historical performance of the Group.

The shares of the Company were listed on the Main Board of the Stock Exchange on 30 June 2003.

2. PRINCIPAL ACCOUNTING POLICIES

These proforma financial statements have been prepared in accordance with Statements of Standard Accounting Practice ("SSAP") 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, except for the non-compliance with SSAP 27 "Accounting for group reconstructions" described under basis of combination below. A summary of the principal accounting policies adopted by the Group is set out below.

Basis of preparation

The measurement basis used in the preparation of the proforma financial statements is historical cost modified by the revaluation of investment properties as explained in the accounting policies set out below.

Year ended 31 March 2003

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Basis of combination

The proforma financial statements include the financial statements of the Company and companies which became the Company's subsidiaries on 9 June 2003 made up to 31 March 2003.

The proforma financial statements incorporate the effects of the Reorganisation completed on 9 June 2003 (as described in note 1 above). For the purposes of the proforma presentation, the Reorganisation has been accounted for by using merger accounting. This treatment is not in accordance with SSAP 27 because, although the Reorganisation meets the definition of a group reconstruction under SSAP 27, SSAP 27 specifies that financial statements should not incorporate a combination which occurs after the date of the most recent balance sheet included in the financial statements. However, the Directors consider that the merger basis of accounting provides meaningful information for shareholders as regards the historical performance of the Group.

All significant inter-company transactions and balances within the Group have been eliminated in the preparation of the combined financial statements.

Subsidiaries

A subsidiary is an enterprise, in which the Company, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long-term basis for their investment potential.

Investment properties are stated at their open market values on the basis of annual professional valuations. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess is charged to the income statement.

Upon the disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations will be released to the income statement.

No depreciation is provided in respect of investment properties with an unexpired lease term of over 20 years since the valuations take into account the state of each property at the date of valuation.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Major costs incurred in restoring assets to their normal working conditions are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives.

Construction-in-progress represents factory buildings, and plant and machinery under construction/ installation, and is stated at cost less any accumulated impairment loss. Cost comprises cost of land, construction/installation expenditure and other direct costs, including interest costs, attributable to the construction/installation. Costs on completed construction/installation works are transferred to the appropriate asset category. No depreciation is provided in respect of construction-in-progress until it is completed and put into commercial operation.

The gain or loss arising from the disposal of property, plant and equipment is determined as the difference between the estimated net sales proceeds and the carrying amount of the assets and is recognised as an income or expense in the income statement.

Depreciation is provided to write off the cost of property, plant and equipment, other than construction-in-progress, over their estimated useful lives from the date on which they become fully operational and after taking into account their estimated residual values, using the straight-line method at the following rates per annum:

Land and buildings	2%
Plant and machinery	10%
Furniture, fixtures and equipment	10%
Motor vehicles	10%

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Intangible asset

Right to the use of specialised technology for the manufacturing of electroplating chemicals is stated at cost less amortisation. Amortisation is provided to write off the cost on a straight-line basis over 4 years.

Impairment loss

At each balance sheet date, the Group reviews internal and external sources of information to determine whether the carrying amounts of its tangible and intangible assets have suffered an impairment loss or impairment loss previously recognised no longer exist or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its net selling price and value in use, in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, except where the relevant asset is carried at valuation in which case the impairment loss is treated as a revaluation decrease.

A reversal of impairment losses is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment losses is recognised as income immediately, except where the relevant asset is carried at valuation, in which case the reversal of impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Year ended 31 March 2003

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably, and on the following bases:

Sale of goods is recognised on transfer of risks and rewards of ownership, which generally coincides with the time when goods are delivered and title has passed.

Subcontracting fee, net of People's Republic of China ("PRC") taxes deducted at source, is recognised in the period when services are rendered.

Rental income is recognised in the period in which the properties are let out and on a straight-line basis over the lease terms.

Taxation

The charge for taxation is based on the results for the year 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.

Capitalisation of borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rental payable under operating leases are recognised as an expense on the straight-line basis over the lease terms.

Year ended 31 March 2003

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are translated at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates of exchange ruling at that date. Translation differences are included in the income statement.

On combination, the balance sheet of overseas subsidiaries denominated in currencies other than Hong Kong dollars is translated at the rates of exchange ruling at the balance sheet date while the income statement is translated at average rates for the year. All exchange differences arising on combination are dealt with in the exchange reserve.

Cash equivalents

Cash equivalents in the combined cash flow statement represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, net of bank overdrafts.

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.

Defined contribution plans

The obligations for contributions to defined contribution retirement schemes are recognised as expenses in the income statement as incurred. The assets of the schemes are held separately from those of the Group in independently administrated funds.

Year ended 31 March 2003

3. TURNOVER AND REVENUE

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacturing, trading and refining of chemicals for electroplating of precious metals.

Turnover and revenue recognised by category are analysed as follows:

	2003 HK$'000	2002 HK$'000
Turnover		
Sale of goods	**367,095**	129,821
Subcontracting fees	**67,107**	30,125
	434,202	159,946
Other revenue		
Rental income	**–**	191
Revenue	**434,202**	160,137

4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging:

	2003 HK$'000	2002 HK$'000
(a) Finance costs		
Interest on bank overdrafts and borrowings wholly repayable within five years	**1,254**	2,314
Interest on bank borrowings wholly repayable after five years	**–**	252
Finance charges on obligations under finance leases	**–**	3
Other borrowing costs	**6,239**	721
Total borrowing costs	**7,493**	3,290
Less: Borrowing costs capitalised into construction-in-progress	**(6,080)**	(1,587)
	1,413	1,703

Year ended 31 March 2003

4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION (continued)

	2003 HK$'000	2002 HK$'000
(b) Other items		
Auditors' remuneration	**450**	197
Cost of inventories and services provided	**354,512**	128,254
Depreciation	**1,715**	169
Amortisation of intangible assets included in other operating expenses	**400**	–
Loss on disposals of property, plant and equipment	**117**	–
Operating lease charges on premises	**715**	341
Provision for doubtful debts	**–**	890
Revaluation deficit on investment properties	**200**	1,206
Staff costs, including Directors' emoluments:		
Wages and salaries	**2,873**	1,741
Contributions to retirement schemes	**109**	56

5. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	2003 HK$'000	2002 HK$'000
Fees	**–**	–
Salaries, other emoluments and other benefits in kind	**674**	358
Contributions to pension scheme	**11**	10
	685	368

Rental expenses amounting to HK$95,000 *(2002: HK$99,000)* in respect of a Director's accommodation have been included in Directors' other emoluments.

5. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION (continued)

The remuneration of Directors was within the following bands:

	Number of Directors	
	2003	2002
HK$		
Nil	**4**	4
1 to 1,000,000	**2**	2
	6	6

Subsequent to the balance sheet date, 3 Non-Executive Directors have been appointed.

Of the five *(2002: five)* individuals with the highest emoluments, one *(2002: one)* was Director whose emolument is disclosed above. The aggregate of the emoluments in respect of the other four *(2002: four)* individuals was as follows:

	2003	2002
	HK$'000	HK$'000
Salaries and other emoluments	**953**	836
Contributions to pension scheme	**30**	29
	983	865

	Number of individuals	
	2003	2002
HK$		
Nil to 1,000,000	**4**	4

During the year, no emoluments were paid by the Group to the Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No Director waived or agreed to waive any emoluments during the year.

Year ended 31 March 2003

6. TAXATION

	2003 **HK$'000**	2002 HK$'000
Hong Kong Profits Tax:		
Current year	**2,217**	74
Underprovision in prior years	**–**	27
	2,217	101

Hong Kong Profits Tax has been provided at the rate of 16% *(2002: 16%)* on the estimated assessable profit for the year.

The major components of deferred taxation not charged (credited) for the year are as follow:

	2003 **HK$'000**	2002 HK$'000
Excess of tax allowances over depreciation	**675**	40
Tax losses arising	**(1,581)**	–
	(906)	40

7. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The net profit attributable to shareholders includes a loss of HK$52,000 *(2002: Nil)* which has been dealt with in the financial statements of the Company.

8. DIVIDENDS

	2003 **HK$'000**	2002 HK$'000
Final dividend proposed after the balance sheet date of HK4.0 cents per share	**19,000**	–

Year ended 31 March 2003

9. EARNINGS PER SHARE

(a) The calculation of basic earnings per share for the year ended 31 March 2003 was based on the proforma combined net profit attributable to shareholders of approximately HK$63,689,000 *(2002: HK$23,193,000)* and on the assumption that 396,500,000 *(2002: 396,500,000)* shares of the Company are in issue, comprising 1,000,000 shares in issue as at the balance sheet date, 1,226,676 shares issued as part of the Reorgansiation and 394,273,324 shares issued pursuant to the capitalisation issue.

(b) The calculation of basic earnings per share for the year ended 31 March 2003 was based on the proforma combined net profit attributable to shareholders of approximately HK$63,689,000 *(2002: HK$23,193,000)* and on 475,000,000 shares, the number of shares in issue immediately after the listing of the Company's shares on the Stock Exchange on 30 June 2003.

(c) Diluted earnings per share have not been presented as the Company did not have any dilutive potential shares in issue during the year.

10. INVESTMENT PROPERTIES

	2003 **HK$'000**	2002 HK$'000
Valuation		
At beginning of year	**5,000**	6,206
Revaluation deficit	**(200)**	(1,206)
At balance sheet date	**4,800**	5,000

The investment properties are situated in Hong Kong, held on medium-term leases and currently vacant. They were valued at their open market value at 31 March 2003 by BMI Appraisals Limited, independent Chartered Surveyors. The deficit of HK$200,000 *(2002: HK$1,206,000)* arising on revaluation has been charged to the income statement.

Year ended 31 March 2003

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Construction -in-progress HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At beginning of year	2,900	7,710	373	1,588	110	12,681
Exchange difference	–	73	–	–	–	73
Additions	–	57,025	4,824	2,046	185	64,080
Disposals	–	–	(342)	–	–	(342)
Reclassification	16,948	(64,808)	47,860	–	–	–
At balance sheet date	**19,848**	**–**	**52,715**	**3,634**	**295**	**76,492**
Accumulated depreciation						
At beginning of year	232	–	215	508	70	1,025
Charge for the year	101	–	1,286	285	43	1,715
Eliminated on disposals	–	–	(225)	–	–	(225)
At balance sheet date	**333**	**–**	**1,276**	**793**	**113**	**2,515**
Net book value						
At balance sheet date	**19,515**	**–**	**51,439**	**2,841**	**182**	**73,977**
At beginning of year	2,668	7,710	158	1,080	40	11,656

Year ended 31 March 2003

11. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Land and buildings

The Group's land and buildings are held on medium-term leases and their net book value is analysed as follows:

	2003 HK$'000	2002 HK$'000
Hong Kong	**2,610**	2,668
PRC	**16,905**	–
	19,515	2,668

The land use rights of the properties located in Zhuhai, PRC are granted for a term of 50 years expiring in 2051.

(b) Construction-in-progress

	2003 HK$'000	2002 HK$'000
At cost:		
Factory buildings	**11,485**	5,375
Plant and machinery	**45,656**	748
	57,141	6,123
Borrowing costs capitalised	**7,667**	1,587
Less: Reclassification	**(64,808)**	–
	–	7,710

Year ended 31 March 2003

12. INTANGIBLE ASSET

	HK$'000
Addition during the year	**9,434**
Amortisation charges	**(400)**
Closing carrying amount	**9,034**

13. SUBSIDIARIES

All of these are subsidiaries as defined under note 2 to these financial statements and have been included in the proforma combined financial statements of the Group in accordance with the basis of combination set out in note 2.

Details of the subsidiaries at the balance sheet date are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid up capital	Percentage of capital held by the Company *Directly*	*Indirectly*	Principal activities
Dynamic Market Trading Limited	British Virgin Islands	US$1	–	100%	Inactive
Kenlap Chemicals Limited (formerly Trilink Global Resources Company Limited)	Hong Kong	HK$100	–	100%	Trading of electroplating chemicals
Kenlap P.G.C. Manufacturer Company Limited	Hong Kong	HK$1,113,352	–	100%	Manufacturing chemicals for electroplating and trading and refining precious metal material

Year ended 31 March 2003

13. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid up capital	Percentage of capital held by the Company *Directly*	*Indirectly*	Principal activities
Ocean Grand Chemicals (BVI) Limited ("OG Chemicals BVI")	British Virgin Islands	US$0.01	100%	–	Investment holding
僑立精細化工(珠海)科技有限公司 ("Kenlap Zhuhai")	PRC	HK$73,515,000	–	100%	Manufacturing chemicals for electroplating and trading and refining precious metal material

Kenlap Zhuhai is a wholly foreign-owned entity established in the PRC for a period of 30 years expiring in 2031, with a registered capital of HK$80,000,000.

None of the subsidiaries had any loan capital in issue at any time during the year.

14. INVENTORIES

	2003 HK$'000	2002 HK$'000
At cost:		
Raw materials	**1,189**	92
Work-in-progress	**543**	506
Finished goods	**3,294**	1,345
	5,026	1,943

15. TRADE AND OTHER RECEIVABLES

	2003 HK$'000	2002 HK$'000
Trade receivables (note 15a)	**149,173**	33,082
Other receivables		
Deposits, prepayments and other debtors	**20,902**	24,230
Due from fellow subsidiaries (note 15b)	**–**	32,833
	20,902	57,603
	170,075	90,145

(a) Trade receivables

Credit terms granted to customers range from 1 month (for majority of the customers in Hong Kong) to 1 year (for majority of the subcontracting customers), depending on their relationship with the Group and settlement history. The ageing analysis of trade receivables is as follows:

	2003 HK$'000	2002 HK$'000
Current (within 1 month)	**69,838**	7,432
1 to 2 months	**40,558**	4,567
2 to 3 months	**10,388**	4,076
More than 3 months but less than 12 months	**27,886**	17,000
More than 12 months but less than 24 months	**503**	7
	149,173	33,082

(b) Due from fellow subsidiaries

The amounts due were unsecured, interest-free and had been fully settled during the year.

Year ended 31 March 2003

16. TRADE AND OTHER PAYABLES

	2003 HK$'000	2002 HK$'000
Trade payables (note 16a)	**105,391**	626
Bills payable	**–**	4,846
Other payables		
Accrued charges and other creditors	**1,398**	581
Due to immediate holding company (note 16b)	**9,565**	71,619
	10,963	72,200
	116,354	77,672

(a) Trade payables

The ageing analysis of trade payables is as follows:

	2003 HK$'000	2002 HK$'000
Current (within 1 month)	**45,154**	626
1 to 2 months	**44,227**	–
2 to 3 months	**15,812**	–
More than 3 months but less than 12 months	**198**	–
	105,391	626

(b) Due to immediate holding company

The amount due was unsecured, interest-free and had been settled as at date of these proforma financial statements.

Year ended 31 March 2003

17. BANK BORROWINGS

	2003	2002
	HK$'000	HK$'000
Short-term bank borrowings:		
Bank overdrafts, secured	**–**	1,028
Short-term bank loans:		
Secured	**6,176**	1,366
Unsecured	**21,608**	7,795
	27,784	10,189
Long-term bank borrowings, secured	**2,750**	3,350
	30,534	13,539

The secured long-term bank borrowings are repayable as follows:

	2003	2002
	HK$'000	HK$'000
Not exceeding 1 year	**600**	600
More than 1 year but not exceeding 2 years	**600**	600
More than 2 years but not exceeding 5 years	**1,550**	1,800
More than 5 years	**–**	350
	2,750	3,350
Portion classified as current liabilities	**(600)**	(600)
Long-term portion	**2,150**	2,750

Year ended 31 March 2003

18. ISSUED CAPITAL

	No of shares	HK$'000
Authorised:		
1,000,000 shares of HK$0.10 each	1,000,000	100
Issued and fully paid:		
Shares issued and allotted fully paid	1,000,000	100
Shares issued as consideration for the acquisition of the entire issued share capital of OG Chemicals BVI	1,226,676	123
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the public offer and placing in the Stock Exchange	394,273,324	–
Proforma balance at 31 March 2003 and 2002	396,500,000	223

For the purpose of the preparation of these proforma financial statements, the balance of the issued capital shown in the proforma combined balance sheet as at 31 March 2003 and 2002, respectively, represents the issued capital of the Company immediately before the issue of 78,500,000 new shares in relation to the initial public offering of the Company's shares on the Stock Exchange.

Movements in the share capital of the Company were as follows:

(a) 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.

(b) 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.

18. ISSUED CAPITAL (continued)

(c) On 9 June 2003, as part of the Reorganisation, the Company acquired 1,113,352 shares of US$0.01 each of OG Chemicals BVI from Successful Gold Profits Limited ("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) 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 were 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.

(e) 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.

(f) In accordance with the terms as mentioned in note 18(d)(ii) above, 394,273,324 of HK$0.10 each new shares were allotted on 26 June 2003.

Year ended 31 March 2003

19. RESERVES

	Exchange reserve HK$'000	Special reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 April 2001	–	877	33,350	34,227
Exchange difference on translation of the financial statements of a foreign subsidiary	(172)	–	–	(172)
Profit for the year	–	–	23,193	23,193
At 31 March 2002	(172)	877	56,543	57,248
Reserve arising from shares exchange with a subsidiary	–	32,829	–	32,829
Exchange difference on translation of the financial statements of a foreign subsidiary	839	–	–	839
Profit for the year	–	–	63,689	63,689
At 31 March 2003	667	33,706	120,232	154,605

Special reserve represents difference between the nominal value of share capital of the Company issued and the aggregate amount of nominal value and share premium of the subsidiaries acquired by the Company through an exchange of shares.

20. CASH GENERATED FROM (USED IN) OPERATIONS

	2003 **HK$'000**	2002 HK$'000
Profit from ordinary activities before taxation	**65,906**	23,294
Amortisation of intangible assets	**400**	–
Depreciation	**1,715**	169
Interest income	**(240)**	(324)
Interest expenses	**1,412**	1,700
Interest on obligations under finance leases	**–**	3
Loss on disposals of property, plant and equipment	**117**	–
Provision for doubtful debts	**–**	890
Revaluation deficit on investment properties	**200**	1,206
Changes in working capital:		
Inventories	**(3,083)**	(183)
Trade and other receivables	**(112,556)**	(32,935)
Trade and other payables	**104,320**	(533)
Effect of exchange rate changes	**29**	(172)
Cash generated from (used in) operations	**58,220**	(6,885)

21. PENSION SCHEMES

As stipulated by the PRC regulations, the PRC subsidiary of the Company maintained a defined contribution retirement plan for all of their employees. All of their retired employees are entitled to an annual pension equal to their basic annual salary upon retirement. The PRC subsidiary would contribute to a state sponsored retirement plan a percentage of the basic salary of its employees, and have no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions. The state sponsored retirement plan is responsible for the entire pension obligations payable to retired employees. The costs of the state sponsored retirement plan of the PRC subsidiary of the Company are charged to the proforma combined income statement. The Group's contributions for the year ended 31 March 2003 amounted to approximately HK$42,000 *(2002: HK$2,000)*.

Another subsidiary operates a defined contribution Mandatory Provident Fund Scheme (the "MPF Scheme") for its Hong Kong employees. The assets of the MPF Scheme are held separately in provident fund managed by independent trustee. Under the MPF Scheme, both the Group and the employees make monthly contributions at the lower of HK$1,000 or 5% of the relevant payroll costs. The costs of the MPF Scheme of the subsidiary are charged to the proforma combined income statement. The Group's contributions to the MPF Scheme for the year ended 31 March 2003 were approximately HK$67,000 *(2002: HK$54,000)*.

Year ended 31 March 2003

22. RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in these proforma combined financial statements, the Group had the following transactions with related parties:

(a) During the years ended 31 March 2002 and 2003, the Group provided corporate guarantee and a negative pledge over all its charge-free assets in respect of a US$17 million term loan facility granted to a subsidiary of its ultimate holding company. Full amount of the term loan (the "Loan") was drawndown during the year ended 31 March 2002, of which US$11 million was used to finance the establishment of the Group's production base in Zhuhai. The Loan was repaid early in July 2002 and was replaced by another loan drawndown by another subsidiary of its ultimate holding company. The corporate guarantee and negative pledge were released upon repayment of the Loan.

(b) The borrowing costs, which include arrangement fees and interest expenses, incurred in relation to the above-mentioned loan facility were recharged to the Group in proportion to the funds actually used by the Group for the acquisition of factory land and construction of manufacturing facilities. The borrowing costs recharged during the year were HK$5,093,000 *(2002: HK$4,109,000)*.

(c) The Company's ultimate holding company and a fellow subsidiary have provided corporate guarantees to banks for banking facilities granted to the Group. The facilities amount granted and utilised as at the balance sheet date were HK$74,190,000 *(2002: HK$32,050,000)* and HK$30,534,000 *(2002: HK$15,372,000)* respectively. The management is now in the process of releasing the corporate guarantees.

23. DEFERRED TAXATION

At the balance sheet date, the major components of the deferred taxation liabilities (assets) unprovided are as follows:

	2003 **HK$'000**	2002 HK$'000
Excess of tax allowances over depreciation	**746**	71
Tax losses carried forward	**(1,581)**	–
	(835)	71

Year ended 31 March 2003

24. COMMITMENTS

(a) Capital expenditure commitments

	2003 HK$'000	2002 HK$'000
Contracted but not provided for, for net of deposit paid	**21,398**	26,804

In addition, as at 31 March 2003, the Group had only contributed HK$73,515,000 into Kenlap Zhuhai. Out of the total approved registered capital of HK$80,000,000, the Group had an outstanding commitment of HK$6,485,000 in respect of the capital contribution of Kenlap Zhuhai as at 31 March 2003. These outstanding capital contributions had been fully paid up subsequent to the balance sheet date.

(b) Operating leases commitments payable

At the balance sheet date, the Group had total outstanding commitments in respect of land and buildings under non-cancellable operating leases, which are payable as follow:

	2003 HK$'000	2002 HK$'000
Within one year	**459**	681
Between two to five years	**21**	387
	480	1,068

25. CONTINGENT LIABILITIES

(a) The Group has given corporate guarantee to a bank in respect of banking facilities granted to a subsidiary of its ultimate holding company. The facilities amount granted and utilised as at the balance sheet date were HK$30,000,000 *(2002: HK$30,000,000)* and HK$29,807,000 *(2002: HK$4,652,000)* respectively. The management is now in the process of releasing the corporate guarantee.

25. CONTINGENT LIABILITIES (continued)

(b) In connection with the subscription agreements entered into between a subsidiary of the Company, its ultimate holding company and the independent investors (the "Investors") in relation to the subscription of shares in the subsidiary of the Company by the Investors, its ultimate holding company, an agent and each of the investors have entered into an escrow agreement pursuant to which its ultimate holding company has agreed to place the escrow money with the agent and the agent has agreed to act as an escrow agent in relation to the escrow money. On the other hand, a subsidiary of the Company entered into a Deed of Indemnity with the agent on 10 May 2002 pursuant to which it undertakes to keep the agent fully indemnified against all actions, taxes, liabilities, damages, claims, costs and expenses or otherwise whatsoever in respect of any claim, action or otherwise brought by any of the Investors and/or any third party against the agent whatsoever and howsoever for acting in accordance with the terms of any of the escrow agreements. This indemnity given by the subsidiary of the Company shall continue notwithstanding the termination of any or all of the escrow agreements.

26. PLEDGE OF ASSETS

At the balance sheet date, the Group had pledged the following assets to secure general banking facilities granted:

	2003	2002
	HK$'000	HK$'000
Investment properties	**4,800**	5,000
Leasehold land and buildings	**2,610**	2,688
	7,410	7,688

27. POST BALANCE SHEET EVENTS

In addition to the Reorganisation and the increase in issued capital of the Company which have been described in notes 1 and 18 to these proforma financial statements, the Group has obtained new composite bank loan facilities of approximately HK$47,170,000 subsequent to the balance sheet date. As of the date of these proforma financial statements, HK$14,151,000 of the loan facilities have been drawndown. The Company's ultimate holding company has provided guarantee to banks for these loan facilities. The management is now in the process of releasing the guarantee.

28. SEGMENTAL INFORMATION

The turnover and operating profit of the Group analysed by business segments and by geographical segments are as follows:

(a) By business segments

The Group's major business segments comprise manufacturing, trading and provision of subcontracting services in respect of chemicals for electroplating of precious metal materials.

	Manufacturing HK$'000	Trading HK$'000	Sub-contracting HK$'000	Rental HK$'000	Combined HK$'000
Year ended 31 March 2003					
External sales	130,779	236,316	67,107	–	434,202
Segment results	3,285	15,955	60,450	–	79,690
Unallocated operating income and expenses					(12,371)
Profit from operations					67,319
Finance costs					(1,413)
Profit before taxation					65,906
Taxation					(2,217)
Net profit attributable to shareholders					63,689
Other information					
Capital expenditures	557	–	40,620	–	41,177
Depreciation and amortisation	879	–	1,236	–	2,115
Other non-cash expenses other than depreciation and amortisation	117	–	–	200	317

Year ended 31 March 2003

28. SEGMENTAL INFORMATION (continued)

(a) By business segments (continued)

	Manufacturing HK$'000	Trading HK$'000	Sub-contracting HK$'000	Rental HK$'000	Combined HK$'000
Year ended 31 March 2002					
External sales	62,255	67,566	30,125	191	160,137
Segment results	2,161	3,405	26,126	(125)	31,567
Unallocated operating income and expenses					(6,570)
Profit from operations					24,997
Finance costs					(1,703)
Profit before taxation					23,294
Taxation					(101)
Net profit attributable to shareholders					23,193
Other information					
Capital expenditures	8,861	–	37,360	–	46,221
Depreciation and amortisation	169	–	–	–	169
Other non-cash expenses other than depreciation and amortisation	890	–	–	1,206	2,096

Year ended 31 March 2003

28. SEGMENTAL INFORMATION (continued)

(a) By business segments (continued)

	Manufacturing HK$'000	Trading HK$'000	Sub-contracting HK$'000	Rental HK$'000	Combined HK$'000
Year ended 31 March 2003					
Assets					
Segment assets	**41,169**	**86,105**	**127,149**	**4,800**	**259,223**
Unallocated assets					**44,710**
Total assets					**303,933**
Liabilities					
Segment liabilities	**27,784**	**107,311**	**698**	**2,750**	**138,543**
Unallocated liabilities					**10,562**
Total liabilities					**149,105**
Year ended 31 March 2002					
Assets					
Segment assets	80,277	7	26,392	5,000	111,676
Unallocated assets					37,006
Total assets					148,682
Liabilities					
Segment liabilities	14,220	–	413	3,350	17,983
Unallocated liabilities					73,228
Total liabilities					91,211

28. SEGMENTAL INFORMATION (continued)

(b) By geographical segments

Year ended 31 March 2003

	Carrying amount of segment assets HK$'000	Capital expenditure incurred HK$'000	Revenue from external customers HK$'000	Contributions to profit from operation HK$'000
Hong Kong	**99,131**	**557**	**188,848**	**(592)**
PRC	**204,802**	**40,620**	**245,354**	**67,911**
	303,933	**41,177**	**434,202**	**67,319**

Year ended 31 March 2002

	Carrying amount of segment assets HK$'000	Capital expenditure incurred HK$'000	Revenue from external customers HK$'000	Contributions to profit from operation HK$'000
Hong Kong	33,799	8,861	69,816	(3,551)
PRC	114,883	37,360	90,321	28,548
	148,682	46,221	160,137	24,997