

Management Discussion and Analysis

- Chairman's Letter to Shareholders

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Ocean Grand Chemicals Holdings Limited ("Ocean Grand Chemicals" or the "Company") and its subsidiaries (the "Group"), I am delighted to report the results of the Group for the year ended 31 March 2005 (the "Year").

RESULTS OF THE YEAR

Turnover of the Group for the Year reached HK\$1,017,839,000 (2004: HK\$738,736,000), representing an increase of 37.8% when compared with last year. Gross profit for the Year has increased by 4.9% to HK\$125,659,000 (2004: HK\$119,738,000) while net profit has posted an increase of 8.2% to HK\$76,328,000 (2004: HK\$70,545,000).

Earnings per share for the Year amounted to HK\$0.16. The Board recommended the payment of a final dividend of HK\$0.03 per share. Since an interim dividend of HK\$0.03 per share was declared by the Company during the Year, the total dividend per share for the Year is HK\$0.06.

BUSINESS REVIEW AND OPERATIONS

During the Year, the Group has, according to the laid down strategy and development plan, increased production output, enhanced marketing activities and embarked on expansion plan. Business review on various areas is as follows:

Production and subcontracting

Turnover of production and subcontracting in total amounted to HK\$443 million (2004: HK\$370 million) during the Year, representing increase of 20% over that of last year. Key contributor to the increase of turnover is gold salt production, which has increased by 32% compared to last year. During the Year, most of the production and subcontracting activities including gold salt manufacturing has been handled by our Zhuhai plant, and our Hunghom plant has mainly been used as back up centre and warehouse.



Administration Building of the Zhuhai Plant

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BUSINESS REVIEW AND OPERATIONS (continued)

Trading



R&D Centre of the Zhuhai Plant

Thanks to the successful marketing efforts together with the continuous growth in demand of precious metal electroplating chemicals in China, especially in the Pearl River Delta, the Group's trading business has shown an increase of 55.5% over that of last year to reach HK\$574 million (2004: HK\$369 million).

Profit margins for the various products traded by the Group during the Year have remained stable as compared with previous years.

Others



The Chemical Plant in Zhuhai

The Group's research and development team has during the Year continued to develop new products with market potential. A number of new products have been developed including sodium gold sulphite, silver cyanide, gold chloride, palladium chloride, tetra-ammine palladium chloride etc. These new products will be out in the market after the production line is in place by the end of 2005.

The setting up of the silver nitrate production line and other new production lines are in good progress and the management of the Group expects that they will be operative by second half of 2005.

During the Year, the Group has invited professors and specialists in Chemical Engineering and Environmental Protection Faculty of leading universities in China to our Zhuhai factory for site visits and discussion of joint projects. The Group is also working with The Department of Chemistry of the University of Hong Kong regarding the joint application for the Innovation and Technology Fund provided by the Hong Kong SAR Government on the research of the advanced technology regarding efficient extraction of trace precious metals in industrial effluents.

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BUSINESS PROSPECT AND FUTURE OUTLOOK

Looking ahead, the Group remains optimistic about the strong and growing demand for precious metal electroplating chemicals in various light industries within China, including jewelry, clocks and watches, lighting equipment, printed circuit boards, electronic components and electrical appliances. Capitalising on its first-mover advantage and being the largest precious metal electroplating chemical producer in China, the Group will continue to enhance its product portfolio, by placing more emphasis on high value added products and broaden the market coverage within China. With the new production lines coming in operation, the Group is confident that it will continue its growing path in the next few years.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude for the continuous trust and support of our customers, suppliers, bankers, business partners as well as shareholders. A special vote of thanks should also be given to our management team and all staff for their diligence, dedication and hard work.

Yip Kim Po
Chairman

Hong Kong, 14 July 2005