



OCEAN GRAND CHEMICALS HOLDINGS LIMITED

海域化工集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 2882)

INTERIM REPORT 2008

* *for identification purpose only*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Wong, Kennedy Ying Ho^b, BBS, J.P., *Chairman* (Appointed on 30 September 2008)

Mr. Chui Chuen Shun^b (Appointed on 30 September 2008)

Dr. Hui Ho Ming, Herbert, J.P.

Mr. Mung Kin Keung (Appointed on 30 September 2008 as non-executive director and re-designated on 31 October 2008 as executive director)

Mr. Chin Chang Keng, Raymond (Appointed on 14 August 2008 and resigned on 6 October 2008)

Ms. Ang Mei Lee, Mary (Appointed on 14 August 2008 and resigned on 6 October 2008)

Dr. Yip Kim Po (Removed on 30 September 2008)

Mr. Lin Jianping (Removed on 30 September 2008)

Non-executive Director

Mr. Yin Richard Yingneng (Appointed on 30 September 2008)

Independent Non-executive Directors

Mr. Fan, Anthony Ren Da^{a, b} (Appointed on 30 September 2008)

Ms. Estella Yi Kum Ng^{a, b} (Appointed on 30 September 2008)

Mr. Wong Kam Wing^{a, b} (Appointed on 30 September 2008)

a Member of the Audit Committee

b Member of the Remuneration Committee

COMPANY SECRETARY

Mr. Michael Sui Wah Wong (Appointed on 30 September 2008)

AUDITORS

RAY W.H. CHAN & CO.

Certified Public Accountants

CORPORATE INFORMATION

REGISTERED OFFICE

Clarendon House, 2 Church Street,
Hamilton HM11, Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 1402-03, 14th Floor,
Admiralty Centre, Tower 2,
18 Harcourt Road, Hong Kong
(effective on 8 December 2008)

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS (UNAUDITED)

The board of directors (the “Board”) of Ocean Grand Chemicals Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2008 (the “Reporting Period”) together with comparative figures for the corresponding period of last year.

BUSINESS REVIEW

The Group was principally engaged in the trading of precious metal electroplating chemicals in Hong Kong.

The turnover of the Group for the Reporting Period was HK\$76,010,000 compared to HK\$683,000 for the corresponding period in 2007. The substantial increase was mainly due to the resumption of trading business through Trump Power Limited, a wholly-owned subsidiary of the Company formed in October 2007, with funding support from Perfect Ace Investments Limited, the investor.

The profit attributable to shareholders of the Company for the Reporting Period was HK\$296,670,000 while the Company recorded a loss of HK\$5,230,000 attributable to its shareholders for the corresponding period in 2007. As the Company’s Restructuring (as defined hereinafter) completed in September 2008, the Company recognized a non-recurring gain on disposal of Excluded Subsidiaries (as defined hereinafter) of HK\$344,714,000 during the Reporting Period. Details of the Restructuring and gain on disposal of subsidiaries are set out in note 3 and note 7 to this 2008 interim report respectively.

RESTRUCTURING

Provisional liquidators were appointed for the Company by the order of the High Court of Hong Kong on 24 July 2006 and by the order of the Supreme Court of Bermuda on 25 July 2006. Trading in the shares of the Company was suspended at the request of the Company on 17 July 2006.

On 22 February 2008, the Company announced a restructuring plan of the Group, involving capital reorganization, debt restructuring, subscription of new shares and subscription of preference shares.

MANAGEMENT DISCUSSION AND ANALYSIS

In September 2008, upon the successful implementation of the restructuring plan, court orders for the discharge of the provisional liquidators of the Company were granted on 25 September 2008 by the Supreme Court of Bermuda and on 30 September 2008 by the High Court of Hong Kong. Trading in the shares of the Company has been resumed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 3 October 2008. Details of the Restructuring are set out in note 2 and note 3 to this 2008 interim report.

FUTURE PROSPECTS

On 3 October 2008, the shares in Ocean Grand Chemicals Holdings Limited resumed trading on the Stock Exchange after a suspension period of over two years. That it was able to do so in spite of the growing global market turmoil, reflected substantially on the commitment to the Group by the new Board of Directors and executive management team (“Management”) working in tandem with a group of dedicated professional advisors.

Given our Group’s existing business of trading in gold salt and electroplating chemicals and our stated goal of exploring investment opportunities in gold and other metals industry for enhancing its future development, including but not limited to opportunities in upstream and downstream metal business, the recent major global economic paradigm shift had presented us with both significant challenges and opportunities.

Under particularly volatile and unprecedented market conditions, with recent average gold price fluctuating from a high of approximately US\$980 per ounce on 15 July 2008 to a low of approximately US\$720 per ounce on 13 November 2008, according to the London Fixes, Management has adopted a highly prudent and cautious approach to credit risk in relation to gold and other precious metal trading. At the same time and equally significant, the current global economic downturn has particularly affected all the major financial institutions in an unprecedented way. This in turn has drastically limited the availability of credit facilities from these financial institutions, and even if available, the escalating costs of such facilities would make them prohibitive from a profit margin point of view. With the economic outlook for the foreseeable future expected to remain highly volatile, our management team has been implementing our internal risk management systems in relation to our trading operations, through close monitoring of the global markets and customer credit and regularly reports to the Board on the latest developments.

MANAGEMENT DISCUSSION AND ANALYSIS

In spite of the economic downturn, our Group had been well positioned to capture many business and investment opportunities in the metals related industries through the utilization of the Board's extensive network in the market and its relatively strong and debt free financial position. Management believes that in the foreseeable future, China will play a pivotal role in the gradual recovery of the global economy through a continued, albeit more conservative, economic growth. Recent events have made available a number of business opportunities for our Group in a variety of related industries at substantially reduced investment costs. Management will be looking at each opportunity very closely with a view to capturing the best opportunities for our Group.

OTHER INFORMATION

EMPLOYEE AND REMUNERATION POLICIES

As at 30 September 2008, the Group had 10 employees in Hong Kong. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, the Group's performance, and individual qualifications and performance.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2008, the Group had cash and bank balances of HK\$183,508,000 (31 March 2008: HK\$73,087,000) while total net assets was HK\$136,627,000 (31 March 2008: total net liabilities of HK\$359,963,000). The Group's gearing ratio, being a ratio of total bank and other borrowings to shareholders' funds, was nil as at 30 September 2008.

Pursuant to the Restructuring Agreement (as defined hereinafter), the Company has undergone a capital restructuring on 30 September 2008 and details are set out in note 3 and note 15 to this 2008 interim report.

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURES

The Group did not enter into any foreign exchange contracts, interest or currency swaps or other financial derivatives.

CHANGE ON COMPANY'S ASSETS

Pursuant to the Restructuring Agreement (as defined hereinafter), the issued shares of all of the subsidiaries of the Company, except Brand New Management Limited and Trump Power Limited (the "Excluded Subsidiaries") were transferred to a company held by the Scheme Administrators in trust for the creditors of the Group at nominal consideration of HK\$1 on 30 September 2008. Details are set out in note 3 and note 7 to this 2008 interim report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2008.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2008, the interests and short positions of the directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, were as follow:

Name of director	Capacity	Number of issued ordinary shares ("Shares") held	Percentage
			of the issued share capital of the Company <i>Note (e)</i>
Wong, Kennedy Ying Ho	Interest of a controlled corporation	357,000,000 <i>Note (a)</i>	79.02
Chui Chuen Shun	Interest of a controlled corporation	357,000,000 <i>Notes (a) & (b)</i>	79.02
Yin Richard Yingneng	Interest of a controlled corporation	64,260,000 <i>Notes (a) & (c)</i>	14.22
Hui Ho Ming, Herbert	Beneficial owner	1,022,689 <i>Note (d)</i>	0.23

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

Notes:

- (a) Dr. Wong, Kennedy Ying Ho ("Dr. Wong") was deemed to be interested in 357,000,000 Shares through his controlling interest in Perfect Ace Investments Limited ("Perfect Ace"). Perfect Ace is owned as to 66.67% by Ying Ho (Nominees) Limited ("YH Nominees") and 33.33% by Mr. Chui Chuen Shun. YH Nominees holds 48.67% in trust for Limin Corporation which is wholly-owned by Dr. Wong and holds 18.00% in trust for First Vanguard Private Equity Limited ("First Vanguard PE"). Each of Dr. Wong, Dr. Wong, Philip Kin Hang ("Dr. Philip Wong") and Ms. Wong, Ada Ying Kay ("Ms. Ada Wong") owns 33.33% interest in YH Nominees. Dr. Philip Wong and Ms. Ada Wong are the father and the sister of Dr. Wong respectively.

In order to restore the public float of not less than 25% of the issued share capital of the Company, Perfect Ace has engaged a placing agent to underwrite the placing of 20,000,000 shares from Perfect Ace to independent third parties immediately after the completion of the Restructuring which took place on 30 September 2008. Completion of the placement took place on 2 October 2008 (the "Placement"), and the public shareholders were interested in approximately 25.20% of the issued share capital of the Company on that day. Accordingly, the Company meets the public float requirement under the Listing Rules.

- (b) Mr. Chui Chuen Shun was deemed to be interested in 357,000,000 Shares through his 33.33% interest in Perfect Ace, a controlled corporation within the meaning of Part XV of SFO.
- (c) Mr. Yin Richard Yingneng is the ultimate beneficial owner of First Vanguard PE.
- (d) Upon Completion of the Restructuring and the Placement, Dr. Hui Ho Ming, Herbert was interested in 1,022,689 Shares, of which 72,689 Shares were received in his capacity as one of the Creditors from the Scheme Administrators (the terms of Creditors and Scheme Administrators are set out as defined in the joint announcement of Perfect Ace and the Company dated 9 July 2008).
- (e) After Completion of the Restructuring and the Placement, 1,071,000,000 preference shares ("Preference Shares") were issued and allotted to Perfect Ace, which shall have the right to convert all or part of its holding of Preference Shares into Shares at any time from a date not earlier than one year from the date of resumption of trading in the Shares on the Stock Exchange.

Saved as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 September 2008.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2008, the register maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name of shareholder	Capacity	Number of issued ordinary shares ("Shares") held	Percentage of the issued share capital of the Company
Perfect Ace Investments Limited	Beneficial owner	357,000,000 <i>Note (a)</i>	79.02
Successful Gold Profits Limited	Beneficial owner	35,519,600 <i>Note (b)</i>	7.86
Ace Champion Holdings Limited	In trust for the Creditors	45,000,000 <i>Note (c)</i>	9.96

SUBSTANTIAL SHAREHOLDERS (Continued)

Notes:

- (a) Refer to the “DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES” section above.
- (b) Successful Gold Profits Limited (“Successful Gold”), a wholly-owned subsidiary of Ocean Grand Holdings Limited (“OGHL”), is a holder of 35,519,600 shares in the Company. OGHL, by virtue of the SFO, is deemed to be interested in all the shares which Successful Gold is interested in the Company. The securities of OGHL are listed on the Main Board of the Stock Exchange and have been suspended for trading on the Stock Exchange since 17 July 2006. The entire equity interest in Successful Gold held by OGHL was charged under a share charge agreement to the Bank of New York, as a trustee, for and on behalf of the holders of, in the aggregate, the US\$160 million 9.25% guaranteed notes issued by OGHL in December 2005 and March 2006. Upon the presentation of the winding up petition against OGHL and the appointment of its provisional liquidators on 26 July 2006, which constituted an event of default under, amongst others, the aforesaid share charge agreement. Pursuant to the share charge agreement, The Bank of New York, in its capacity as trustee of the note holders, is entitled, following the occurrence of an event of default, to transfer legal title in the shares of Successful Gold into its name. However, The Bank of New York has, as yet, not done so and therefore OGHL remains the registered shareholder of Successful Gold.

However, Successful Gold is not a subsidiary of OGHL based on the definition of Rule 1.01 of the Listing Rules given that (i) the auditors of OGHL have confirmed that Successful Gold and its subsidiaries are no longer required to be consolidated into the financial statements of OGHL pursuant to Hong Kong Accounting Standard 27; and (ii) Successful Gold and its subsidiaries are also not subsidiaries of OGHL under Schedule 23 to the Hong Kong Companies Ordinance.
- (c) Upon Completion of the Restructuring, the Company issued and allotted 45,000,000 new shares to Ace Champion Holdings Limited, a company wholly-owned by the Scheme Administrators. The said new shares are held for the benefit of the Creditors and will be distributed to the Creditors in respect of their claims admitted by the Scheme Administrators on a pari passu basis.

Saved as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 September 2008.

OTHER INFORMATION

SHARE OPTIONS SCHEME

Movement of share options during the six months period ended 30 September 2008:

Eligible Person	Date of grant	Number of share options to subscribe for shares				Outstanding at 30 Sep 08	Subscription price per share	Exercised period*
		Outstanding at 1 Apr 08	Granted	Exercised	Lapsed			
Employee	31.3.2006	3,200,000	–	–	3,200,000	–	HK\$1.32	31.3.2006 to 3.9.2013

* Share options are vested from date of issue.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company's code on corporate governance practices was adopted by reference to the provisions of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange. However, due to the prolonged suspension in trading of the shares of the Company on the Stock Exchange and the severe financial difficulties of the Group before resumption of trading which took place on 3 October 2008, the Board is unable to comment as to whether the Company had complied with the CG Code during the six months ended 30 September 2008.

The Board expects the Company will comply with the CG Code after the Restructuring.

COMPLIANCE WITH THE MODEL CODE

Trading in the shares of the Company was suspended from 17 July 2006 to 2 October 2008 (both days inclusive) and the Board is of the opinion that the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules was not applicable during the six months ended 30 September 2008.

OTHER INFORMATION

AUDIT COMMITTEE

The Company's audit committee, comprising all the three independent non-executive directors, has reviewed with the management of the Company the accounting principles and practices adopted by the Company and discussed the auditing, internal control and financial reporting matters including a review of the Company's unaudited interim financial statements for the six months ended 30 September 2008.

By Order of the Board
Ocean Grand Chemicals Holdings Limited
Dr. Wong, Kennedy Ying Ho, BBS, J.P.
Chairman

Hong Kong, 19 December 2008

INDEPENDENT INTERIM REVIEW REPORT

**To the Board of Directors of
OCEAN GRAND CHEMICALS HOLDINGS LIMITED**
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial statements set out on pages 15 to 33, which comprise the condensed consolidated balance sheet of OCEAN GRAND CHEMICALS HOLDINGS LIMITED (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 September 2008 and the related condensed consolidated income statement and condensed consolidated statement of changes in equity, condensed consolidated cash flow statement for the six months then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provision thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors are responsible for the preparation and presentation of the interim financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on the interim financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We concluded our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

INDEPENDENT INTERIM REVIEW REPORT

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 September 2008 is not prepared, in all material respects, in accordance with HKAS 34.

RAY W.H. CHAN & CO.

Certified Public Accountants

12/F., Bel Trade Commercial Building,
1-3 Burrows Street,
Wanchai, Hong Kong

Hong Kong, 19 December 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

	Note	For the six months ended 30 September	
		2008	2007
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
Turnover	6	76,010	683
Cost of sales		(75,490)	(638)
Gross profit		520	45
Other income		483	2,253
General and administrative expenses		(1,359)	(1,540)
Gain on deconsolidation of a subsidiary		–	4,911
Impairment loss on amount due from a deconsolidated subsidiary		–	(8,093)
Gain on disposal of subsidiaries	7	344,714	–
Loss on Debt Restructuring	8	(34,905)	–
Restructuring costs		(12,145)	–
Other operating expenses		(189)	(2,392)
Profit (Loss) from operations		297,119	(4,816)
Finance costs		(401)	(414)
Profit (Loss) before taxation	9	296,718	(5,230)
Income tax	10	(48)	–
Profit (Loss) attributable to equity holders of the Company		296,670	(5,230)
Dividends	11	–	–
Earnings (Loss) per share	12		
Basic		HK\$5.71	(HK\$0.11)
Diluted		HK\$5.71	(HK\$0.11)

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2008

		30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
	Note		
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		–	10,000
Property, plant and equipment		51	4,217
Lease premium on land		–	1,317
		<u>51</u>	<u>15,534</u>
Current assets			
Lease premium on land		–	11
Trade and other receivables	13	3,581	5,963
Tax recoverable		–	932
Bank balances and cash		183,508	73,087
		<u>187,089</u>	<u>79,993</u>
Current liabilities			
Trade and other payables	14	50,448	30,985
Tax payable		65	–
Short-term bank borrowings		–	295,470
Amount due to a deconsolidated subsidiary		–	3,749
Short-term notes		–	120,081
Other borrowings		–	5,205
		<u>50,513</u>	<u>455,490</u>
Net current assets (liabilities)		<u>136,576</u>	<u>(375,497)</u>
Net assets (liabilities)		<u>136,627</u>	<u>(359,963)</u>
EQUITY			
Share capital	15	4,518	49,790
Preference share capital	15	10,710	–
Reserves		121,399	(409,753)
Equity attributable to equity holders of the Company		<u>136,627</u>	<u>(359,963)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

	Share capital <i>HK\$ '000</i>	Share premium <i>HK\$ '000</i>	Share option reserve <i>HK\$ '000</i>	Special reserve <i>HK\$ '000</i>	Accumulated losses <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
At 1 April 2007	49,790	35,889	1,200	33,706	(472,915)	(352,330)
Loss for the period	—	—	—	—	(5,230)	(5,230)
At 30 September 2007	<u>49,790</u>	<u>35,889</u>	<u>1,200</u>	<u>33,706</u>	<u>(478,145)</u>	<u>(357,560)</u>
At 1 April 2008	49,790	35,889	1,200	33,706	(480,548)	(359,963)
Lapse of share options	—	—	(1,200)	—	1,200	—
Capital reduction	(49,292)	—	—	—	49,292	—
Reduction in share premium account and special reserve account	—	(35,889)	—	(33,706)	69,595	—
Issue of ordinary shares through the Subscription and the Placement	4,020	45,960	—	—	—	49,980
Issue of preference shares through the Subscription	10,710	139,230	—	—	—	149,940
Profit for the period	—	—	—	—	296,670	296,670
At 30 September 2008	<u>15,228</u>	<u>185,190</u>	<u>—</u>	<u>—</u>	<u>(63,791)</u>	<u>136,627</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	For the six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from (used in) operating activities	367	(845)
Net cash (used in) generated from investing activities	(71,626)	1,482
Net cash generated from financing activities	181,680	—
	<hr/>	<hr/>
Net increase in cash and cash equivalents	110,421	637
Cash and cash equivalents at 1 April	73,087	77,044
	<hr/>	<hr/>
Cash and cash equivalents at 30 September	183,508	77,681
	<hr/> <hr/>	<hr/> <hr/>
Analysis of cash and cash equivalents		
Bank balances and cash	183,508	77,681
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Bermuda. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. The Company’s subsidiaries (which together with the Company are collectively referred to as the “Group”) are principally engaged in the trading of precious metal electroplating chemicals.

2. WITHDRAWAL OF WINDING-UP PETITIONS AND DISCHARGE OF PROVISIONAL LIQUIDATORS

In July 2006, the Company’s directors discovered that significant amount of funds in its subsidiary had been transferred out of the Group. As a result, the Group had difficulties in meeting its short term debts. The directors therefore voluntarily applied for a suspension of trading in the Company’s shares on the Stock Exchange and applied to the courts in Hong Kong and Bermuda respectively for the appointment of provisional liquidators in order to protect the assets of the Group and to safeguard the interests of both the creditors and the shareholders. Trading in the shares of the Company was suspended at the request of the Company on 17 July 2006.

As a result of the applications, Messrs. Lai Kar Yan (also known as Lai Kar Yan, Derek) and Joseph Kin Ching Lo, both of Deloitte Touche Tohmatsu (“Deloitte”), were appointed as the joint and several provisional liquidators of the Company (the “Provisional Liquidators”) by the order of the High Court of Hong Kong (“High Court”) on 24 July 2006 and by the order of the Supreme Court of Bermuda on 25 July 2006 (the “Orders”).

Pursuant to the terms of the Orders, the Provisional Liquidators may, among other things, exercise the powers to take into their custody and protect the assets of the Company and carry on and stabilize the operations of the Group, including to facilitate a restructuring of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

2. WITHDRAWAL OF WINDING-UP PETITIONS AND DISCHARGE OF PROVISIONAL LIQUIDATORS (Continued)

The Company also filed a winding-up petition against Kenlap PGC Manufacturer Company Limited (“Kenlap PGC”), a major subsidiary of the Company, to the High Court on 3 August 2006. Pursuant to the order of the High Court, Messrs. Lai Kar Yan and Darach E. Haughey of Deloitte were appointed as the joint and several provisional liquidators of Kenlap PGC.

A winding-up order was made against OGC Management Services Limited, a subsidiary of the Company, on 7 February 2007.

The court orders for the withdrawal of the winding-up petitions and the discharge of the Provisional Liquidators of the Company were granted on 25 September 2008 by the Supreme Court of Bermuda and on 30 September 2008 by the High Court. Following completion of the Company’s Restructuring Agreement (as defined hereinafter), trading in the shares of the Company on the Stock Exchange was resumed on 3 October 2008.

3. RESTRUCTURING AGREEMENT

On 22 February 2008, the Company announced that a conditional agreement for the proposed restructuring of the Group, involving capital reorganization, debt restructuring, subscription of new shares and subscription of preference shares, was entered into on 8 October 2007 by the Company, Perfect Ace Investments Limited (“Perfect Ace”), the Provisional Liquidators and an escrow agent. An addendum thereto was executed by the relevant parties on 14 December 2007 (the said agreement together with the said addendum is collectively referred to as the “Restructuring Agreement” or the “Restructuring”). Details of the Restructuring Proposal issued by the Company and Perfect Ace are set out in the circular dated 29 August 2008 (the “Circular”). The principal terms of the Restructuring Agreement, detailed in the Circular, are summarized below, unless otherwise specified, capitalized terms used herein shall have the same meanings as those defined in the Circular.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

3. RESTRUCTURING AGREEMENT (Continued)

(i) The Capital Restructuring

Under the Capital Restructuring, the share capital of the Company was restructured in the following manner:

(a) Capital Reduction

The par value of every issued and unissued Share was reduced from HK\$0.10 to HK\$0.001 and the resulting credit of approximately HK\$49.3 million was applied to eliminate the accumulated losses of the Company.

(b) Share Consolidation

Every 10 issued and unissued shares of the Company reduced pursuant to the Capital Reduction were consolidated into one New Share immediately upon the Capital Reduction becoming effective. Accordingly, 497,900,000 issued shares of HK\$0.001 each were consolidated into 49,790,000 issued New Shares.

(c) Authorized Share Capital Change

The Company's authorized share capital was changed to HK\$70,000,000 divided into 4,000,000,000 New Shares and 3,000,000,000 Preference Shares.

This was achieved by a reduction of the authorized share capital of the Company from HK\$100,000,000 to HK\$70,000,000 and a re-designation of 3,000,000,000 New Shares to 3,000,000,000 Preference Shares.

The Company has no intention to issue additional New Shares apart from the New Shares issued pursuant to the Restructuring Agreement and the conversion of the Preference Shares.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

3. RESTRUCTURING AGREEMENT (Continued)

(i) *The Capital Restructuring (Continued)*

(d) Board lot size

The New Shares are traded in board lots of 4,000 each, same as before.

(e) Reduction in share premium account and special reserve account

The Company's share premium account and special reserve account were reduced and the credit generated therefrom was applied in a manner as permitted by Bermuda law to, inter alia, set off the accumulated losses of the Company.

(ii) *The Debt Restructuring*

The Debt Restructuring has been effected through the Schemes. All the Company's indebtedness (including but not limited to any guarantee or indemnity given by the Company) were discharged in full in return for:

- (a) A cash payment of HK\$50 million, which was funded by the Company out of the proceeds of the Subscription; and
- (b) 45,000,000 New Shares were allotted and issued to the Creditors at nil consideration, with Put Options to sell all or part of the New Shares back to Perfect Ace at the price of approximately HK\$0.2222 per New Share, representing approximately 9.96% of the enlarged issued share capital of the Company upon Completion.

The Put Options will be exercisable within six months from 30 September 2008, the date when the Scheme Administrators transferred the New Shares to the Creditors.

Upon Completion, the issued shares of all the subsidiaries of the Company, except Brand New Management Limited and Trump Power Limited (the "Excluded Subsidiaries") has been transferred to a company held by the Scheme Administrators (in trust for the Creditors) at a nominal consideration of HK\$1.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

3. RESTRUCTURING AGREEMENT (Continued)

(iii) The Subscription

Pursuant to the Restructuring Agreement, Perfect Ace subscribed for the following:

1. 357,000,000 New Shares at the subscription price of HK\$0.14 each; and
2. 1,071,000,000 Preference Shares of par value of HK\$0.01 each carrying the right to convert into New Shares at the ratio of one to one at the subscription price of HK\$0.14 each.

(iv) The Disposal

The issued shares of the Excluded Subsidiaries directly or indirectly held by the Company were transferred to a company held by the Scheme Administrators (in trust for the Creditors) at a nominal consideration of HK\$1 upon completion.

The aforesaid net gain on the disposal has been recorded in the condensed consolidated income statement of the Group as an income and the same amount has also been credited to and reduced the accumulated losses as stated in the condensed consolidated balance sheet of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

4. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules on the Stock Exchange and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

5. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis and are measured at fair values, as appropriate.

The accounting policies used in the preparation of these condensed consolidated financial statements are consistent with those set out in the 2008 annual financial statements of the Group.

In the current period, the Group had applied for the first time, a number of new standards; amendments and interpretations (hereafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2008.

The application of these new HKFRSs did not have any material impact on how the condensed consolidated financial statements of the Group are prepared and presented for the current or prior accounting period. Accordingly, no prior period adjustment has been required.

HK(IFRIC)-Int 12

HK(IFRIC)-Int 14

Service Concession Arrangements

HKAS 19-The Limit on a Defined Benefit

Asset, Minimum Funding Requirements and
their Interaction

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

5. PRINCIPAL ACCOUNTING POLICIES (Continued)

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors anticipate that the application of these new standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements ⁽¹⁾
HKAS 23 (Revised)	Borrowing Costs ⁽¹⁾
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ⁽²⁾
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ⁽¹⁾
HKFRS 2 (Amendment)	Share Based Payment: Vesting Conditions and Cancellations ⁽¹⁾
HKFRS 3 (Revised)	Business Combinations ⁽²⁾
HKFRS 8	Operating Segments ⁽¹⁾
HK(IFRIC)-Int 13	Customer Loyalty Programmes ⁽³⁾
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate ⁽¹⁾
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation ⁽⁴⁾

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

⁴ Effective for annual periods beginning on or after 1 October 2008

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

6. TURNOVER

The Group is currently engaged in the trading of precious metal electroplating chemicals in Hong Kong only. Segmental information is therefore not applicable.

7. GAIN ON DISPOSAL OF SUBSIDIARIES

The Debt Restructuring has been completed on 30 September 2008. In order to reorganize the Group and to facilitate the implementation of the Creditors' Schemes, the following former subsidiaries were transferred to the Scheme Administrators of the Creditors' Schemes, and after the Completion, formed no part of the restructured group. The consideration for disposing these subsidiaries is HK\$1. Details of the disposals are as follows:

Name	Attributable equity interest of the Company	
	Directly	Indirectly
Ocean Grand Chemicals (BVI) Limited	100%	
Dynamic Market Trading Limited		100%
Kenlap Chemicals Limited		100%
Kenlap P.G.C. Manufacturer Company Limited (Provisional Liquidators Appointed)		100%
Successful Environmental Works and Investments Company Limited		100%
Wintex Holdings Limited		100%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

7. GAIN ON DISPOSAL OF SUBSIDIARIES (Continued)

	30 September 2008 (Unaudited) HK\$'000
Investment properties	10,000
Property, plant & equipment	3,916
Lease premium on land	1,323
Other receivables	6
Amount due from a deconsolidated subsidiary	15,083
Tax recoverable	949
Bank and cash	72,474
Trade and other payables	(28,957)
Amount due to a deconsolidated subsidiary	(3,749)
Short-term bank borrowings	(295,678)
Short-term notes	(120,081)
	<hr/>
Net liabilities disposed	(344,714)
	<hr/> <hr/>
Consideration	—
	<hr/> <hr/>
Gain on disposal of subsidiaries	344,714
	<hr/> <hr/>

As most of the Company's former accounting personnel and former directors left the Group on or before Completion of the Restructuring Agreement, hence the Directors were unable to obtain sufficient documentary information to satisfy themselves as to whether the gain on disposal of subsidiaries for the six months ended 30 September 2008 was fairly stated.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

8. LOSS ON DEBT RESTRUCTURING

Pursuant to the Debt Restructuring of the Group as described in note 3 above, the loss on Debt Restructuring is as follows:

	30 September 2008 (Unaudited) HK\$'000
Debts waived	15,095
Cash payable to the Schemes	(50,000)
New Shares allotted and issued to the Creditors at nil consideration	—
	<u>(34,905)</u>

Loss on Debt Restructuring of HK\$34,905,000 represented indebtedness discharged upon the Completion of the Restructuring Agreement.

As most of the Company's former accounting personnel and former directors left the Group on or before Completion of the Restructuring Agreement, hence the Directors were unable to obtain sufficient documentary information to satisfy themselves as to whether the loss on Debt Restructuring for the six months ended 30 September 2008 was fairly stated.

9. PROFIT (LOSS) BEFORE TAXATION

This is stated after charging the following:

	For the six months ended 30 September 2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Amortisation of lease premium on land	6	6
Depreciation	287	302
Interest on bank overdrafts and borrowings wholly repayable within five years	401	414
Staff costs	<u>832</u>	<u>598</u>

10. INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (2007: nil) on the estimated assessable profit for the six months ended 30 September 2008.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

11. DIVIDENDS

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2008 (2007: nil).

12. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the following data:—

	For the six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit (loss) for the period attributable to equity holders of the Company	296,670	(5,230)
	Number of	Number of
	'000	'000
Number of ordinary shares:		
Issued ordinary shares at the beginning of the period	497,900	497,900
Effect of Share Consolidation	(448,110)	(448,110)
Effect of shares issued through the Subscription and the Placement	2,197	—
Weighted average number of ordinary shares at the end of the period (<i>Note</i>)	51,987	49,790
	HK\$	HK\$
Earnings (loss) per share	5.71	(0.11)

The diluted earnings (loss) per share is based on the weighted average number of 51,987,000 ordinary shares in issue (30 September 2007: 49,790,000 ordinary shares) after adjusting of the effects of all dilutive potential ordinary shares under the Company's share option scheme.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

12. EARNINGS (LOSS) PER SHARE (Continued)

Note:

These weighted average numbers of ordinary shares have taken into account the effect of the Share Consolidation that every ten issued old shares were consolidated into one New Share upon Capital Reduction and the calculation as below:

Period	Days	No. of ordinary shares	Weighted average No. of ordinary shares
From 1 April 2008 to 29 September 2008	182	49,790	49,518
30 September 2008	1	451,790	2,469
			<hr/>
At 30 September 2008			51,987
			<hr/>
From 1 April 2007 to 30 September 2007	183	49,790	49,790
			<hr/>
At 30 September 2007			49,790
			<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

13. TRADE AND OTHER RECEIVABLES

The Group allows a credit term to its customers normally ranging from cash on delivery to 90 days to its trade customers.

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Trade receivables	3,568	255,977
Less: Impairment loss of trade receivables	—	(250,021)
	<hr/> 3,568 <hr/>	<hr/> 5,956 <hr/>
Other receivables:		
Deposit, prepayments and other debtors	13	15,581
Due from former ultimate holding company	—	450
Due from a former fellow subsidiary	—	341
	<hr/> 13 <hr/>	<hr/> 16,372 <hr/>
Less: Impairment loss of other receivables	—	(16,365)
	<hr/> 13 <hr/>	<hr/> 7 <hr/>
	<hr/> 3,581 <hr/>	<hr/> 5,963 <hr/>

The aged analysis of trade receivables is as follows:

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
0 to 30 days	3,568	5,956
31 to 60 days	—	—
61 to 90 days	—	—
Over 90 days	—	250,021
	<hr/> 3,568 <hr/>	<hr/> 255,977 <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

14. TRADE AND OTHER PAYABLES

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Trade payables	448	29,337
Other payables:		
Accrued charges and other creditors	—	1,648
Schemes fund payable	50,000	—
	<u>50,448</u>	<u>30,985</u>

The aged analysis of trade payables is as follows:

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
0 to 30 days	448	462
31 to 60 days	—	—
61 to 90 days	—	—
Over 90 days	—	28,875
	<u>448</u>	<u>29,337</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

15. SHARE CAPITAL

On 30 September 2008, the Company has undergone a restructuring pursuant to the Restructuring Agreement as referred to note 3 above.

	Number of '000	Amount HK\$'000
Authorized:		
At 1 April 2008		
Ordinary shares of HK\$0.10 each	1,000,000	100,000
At 30 September 2008		
Ordinary shares of HK\$0.01 each	4,000,000	40,000
Preference shares of HK\$0.01 each	3,000,000	30,000
	7,000,000	70,000
Ordinary shares issued and fully paid:		
At 1 April 2008		
Ordinary shares of HK\$0.10 each	497,900	49,790
Capital reduction	(448,110)	(49,292)
Issue of ordinary shares through the Subscription and the Placement	402,000	4,020
At 30 September 2008		
Ordinary shares of HK\$0.01 each	451,790	4,518
Preference shares issued and fully paid:		
At 1 April 2008	—	—
Issue of preference shares through the Subscription	1,071,000	10,710
At 30 September 2008		
Preference shares of HK\$0.01 each	1,071,000	10,710