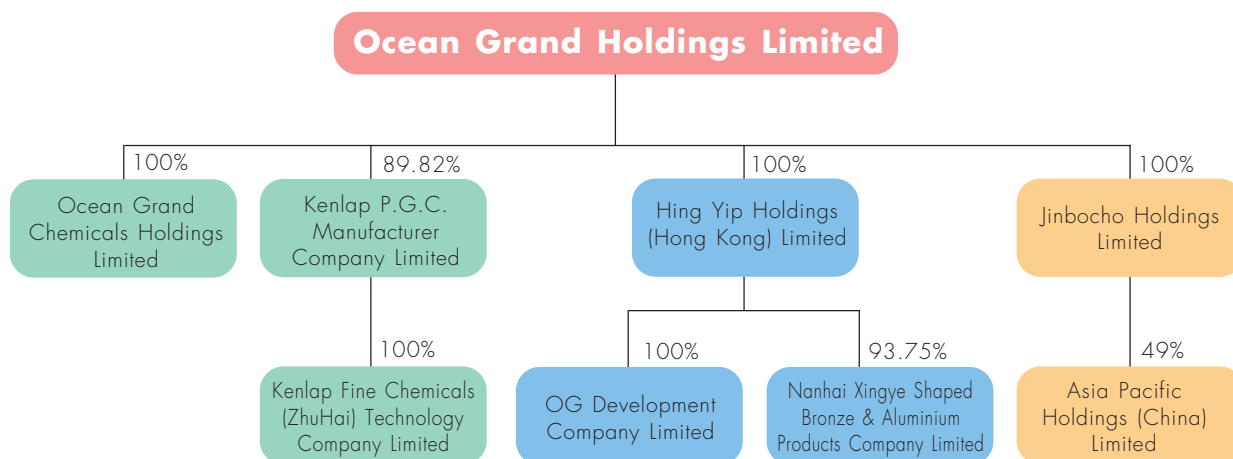


Chairman's Statement

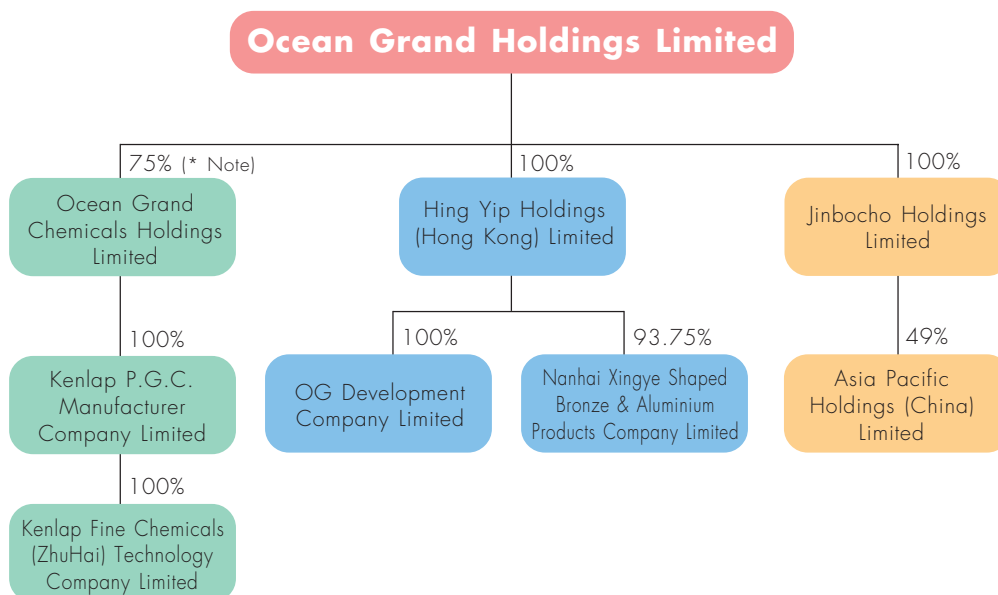
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PRESENT CORE GROUP STRUCTURE



PROPOSED CORE GROUP STRUCTURE

As at the date of this report, the proposed core group structure following the listing of Ocean Grand Chemicals Holdings Limited is as depicted below. However, the proposed structure has not been finalised and remains subject to the approval of the Stock Exchange of Hong Kong Limited and any other approval required, and the terms of the spin-off of Ocean Grand Chemicals Holdings Limited. In particular, the Company's proposed 75% interest in Ocean Grand Chemicals Holdings Limited remains subject to change.



* Note:
For reference only, subject to change.

This is the third consecutive year I begin my statement with a negative comment on the global economy. Although we do not need to be reminded, Hong Kong, the somewhat lackluster "Pearl of Asia" continues to experience considerable economic hardship. It is indeed a difficult time but not hopeless. If we all pool our efforts, give a good rub to the Pearl, I am confident that it will shine again.

Despite the global economic slowdown, the PRC remains a fertile ground for industrial groups with a solid manufacturing business. The Group has taken full advantage of its base in the area. In 2002 the Group realised a significant achievement in terms of production capacity enhancement. Before the completion of the Zhuhai factory and the expansion of the Hunghom factory, Kenlap P.G.C. Manufacturer Company Limited ("Kenlap") could only produce 2,000kg of Gold Salt per year and had to rely on the Group's business associates for the production of other electroplating chemicals. Following the completion of the factory in Zhuhai which commenced



Precious metal electroplating chemicals plant located in Zhuhai, the PRC

The honourable guests who attended the grand opening ceremony of the precious metal electroplating chemicals plant



Mr Yip Kim Po, the Chairman, delivered a speech at the grand opening of the precious metal electroplating chemicals plant

operation in January 2003, the Group is now the largest producer for electroplating chemicals in the PRC with a maximum annual production capacity of 7,000kg of Gold Salt, 160,000kg of Silver Salt, 6,000kg of Palladium Salt and 200kg of Rhodium Sulphate. This places the Group in an ideal position to capitalise on the growing PRC market.

For the aluminium extrusion business, the Group maintains its strategy of organic growth by providing better value-added services and product diversification. Management maintains its belief that growth which is achieved through more effective and efficient utilisation of existing capacity is preferable to an increase in capacity attained through acquisition.



Anodising facility in the aluminium plant in the PRC



Aluminium casting and extrusion plant in Nanhai, the PRC

In 2002 a powder-coating line (with an annual production capacity of approximately 10,000 metric tonnes), a fabrication workshop (providing one-stop service to customers) and an aluminium alloy ingot production line (with an annual production capacity of approximately 20,000 metric tonnes) were installed at the Group's aluminium extrusion production base in Nanhai, Guangdong Province, the PRC. This equipment enhanced the quality and variety of the Group's product significantly. Leveraged on the solid foundation in the PRC, the Group's marketing initiative in the coming years is focused on overseas markets, in particular the USA and Europe.

These developments had an immediate and powerful impact, strengthening the Group's businesses. More importantly, they enhance the Group's competitiveness. During 2002 we continued our unwavering focus on creating value for shareholders, consumers and employees. I am happy to report that the Group has achieved a record net profit for the second consecutive year. The outstanding improvement in productivity of all the manufacturing units, improved procurement processes, strong sales to domestic and overseas customers, excellent product quality and record earnings from the Kenlap business, together with good capital management have accounted for the strong returns.

Looking ahead, we expect the demand for aluminium extrusion and electroplating material to continue to grow. We are well positioned to support our customers with better services and improved products that represent additional value for consumers.

Since 1999 the Group has adopted a strategy of diversification, and has successfully transformed itself from an aluminium extruder to a business conglomerate in a short period of time. We will continue to adhere to this strategy of diversification, but future expansion into new business areas will only be made after very careful consideration, which will take into account the business' potential and its synergy with the existing core businesses. We also intend to utilise any and all opportunities that are capable of enhancing shareholders' value by: increasing market share and efficiencies in a profitable manner, being the best service provider, launching new products successfully, and aiming at becoming a world class organisation that moves quickly and promotes an environment of continuous learning and improvement.

Yip Kim Po*Chairman*

Hong Kong, 23 April 2003