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# Ocean Grand Chemicals Holdings Limited

海域化工集團有限公司\*

(incorporated in Bermuda with limited liability)

(Stock Code: 2882)

## ANNOUNCEMENT

This announcement is made pursuant to rule 13.09(1) of the Listing Rules.

During the conduct of the Audit, which is still continuing and has not been completed, the Auditors have highlighted certain potential accounting irregularities to the Audit Committee and to the Board and the Hong Kong management team of the Company, in particular concerning the recoverability, validity and genuineness of certain accounts receivable, accounts payable and sales and purchases of Kenlap Zhuhai, a wholly-owned subsidiary of the Company engaged in the production and trading of precious metal electroplating chemicals in the PRC, and the Group's precious metal electroplating chemicals trading business and other transactions undertaken by certain subsidiaries of the Company. As a result, the Audit Committee, on the recommendation of and with the active assistance of the Hong Kong management team of the Company, intends to engage DTFS, an independent firm, to enquire into the potential accounting irregularities.

As a result of the outstanding issues to be clarified in respect of the Audit (which is still continuing) and the independent enquiry to be carried out by DTFS, the Company is of the view that there may be a delay in the publication of the Results Announcement and despatch to its shareholders of the Annual Report.

**Shareholders of the Company and the public are advised to exercise caution when dealing in the shares of the Company.**

This announcement is made pursuant to rule 13.09(1) of the Listing Rules.

### (1) ENGAGEMENT OF DTFS

During the conduct of the Audit, which is still continuing and has not been completed, the Auditors have highlighted certain potential accounting irregularities to the Audit Committee and to the Board and the Hong Kong management team of the Company, in particular concerning the recoverability, validity and genuineness of certain accounts receivable, accounts payable and sales and purchases of Kenlap Zhuhai, a wholly-owned subsidiary of the Company engaged in the production and trading of precious metal electroplating chemicals in the PRC, and the Group's precious metal electroplating chemicals trading business and other transactions undertaken by certain subsidiaries of the Company. As a result, the Audit Committee, on the recommendation of and with the active assistance of the Hong Kong management team of the Company, intends to engage DTFS, an independent firm, to enquire into the potential accounting irregularities. The Board is of the view that it is too early to ascertain the potential negative impact on the Group arising from the potential accounting irregularities which have been identified by the Auditor during the conduct of its Audit (which is still continuing) and which will also be the subject of an independent enquiry to be carried out by DTFS in relation to the Company and its subsidiaries. An announcement will be made by the Company with updates on the development of this matter as and when appropriate on a timely basis.

For the financial year ended 31 March 2005, Kenlap Zhuhai contributed approximately 35% of the Group's profit from operations.

### (2) DELAY IN ANNUAL RESULTS ANNOUNCEMENT AND DESPATCH OF ANNUAL REPORT

As a result of the Company's ongoing internal investigation into the potential accounting irregularities in relation to Kenlap Zhuhai and other subsidiaries of the Company, the outstanding issues to be clarified in respect of the Audit and the independent enquiry to be carried out by DTFS, the Company is of the view that there may be a delay in the publication of the Results Announcement and despatch to its shareholders of the Annual Report. If this is the case, a detailed announcement on this issue will be released when appropriate.

**Shareholders of the Company and the public are advised to exercise caution when dealing in the shares of the Company.**

### DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

"Annual Report"	The annual report of the Group for the year ended 31 March 2006
"Audit"	The audit of the Group's accounts for the year ended 31 March 2006
"Audit Committee"	The audit committee of the Company
"Auditors"	Messrs. PricewaterhouseCoopers, the external auditors of the Company
"Board"	The board of Directors
"Company"	Ocean Grand Chemicals Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange
"Directors"	The directors of the Company
"DTFS"	Deloitte & Touche Forensic Services Limited
"Group"	The Company and its subsidiaries
"Kenlap Zhuhai"	僑立精細化工(珠海)科技有限公司(Kenlap Fine Chemical (Zhuhai) Technology Company Limited), a company incorporating under the laws of, and operating in, the PRC.
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PRC"	The People's Republic of China
"Results Announcement"	The audited results announcement of the Group for the year ended 31 March 2006
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

By Order of the Board  
**Ocean Grand Chemical Holdings Limited**  
**Dr. Yip Kim Po, FHKIoD**  
Chairman

Hong Kong, 12 July 2006

*As at the date of this announcement, the Board comprises four executive directors, namely Dr. Yip Kim Po, FHKIoD (Chairman), Mr Hui Ho Ming, Herbert, JP, FHKIoD (Deputy Chairman), Mr Kwan Yan, Mr Lin Jianping, one non-executive director namely, Mr Yeh V-nee, three independent non-executive directors, namely, The Honourable Cheung Yu-yan, Tommy, JP, Dr Lo Wing Yan, William, JP, and Mr Wan Ngar Yin, David (Chairman of the Audit Committee).*

*The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm having made all reasonable inquiries that, to the best of their knowledge, the opinions expressed in this announcement have been arrived after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*\* For identification purposes only*

Please also refer to the published version of this announcement in The Standard.