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# Ocean Grand Chemicals Holdings Limited

(Provisional Liquidators Appointed)

海域化工集團有限公司\*

(incorporated in Bermuda with limited liability)

(Stock Code: 2882)

## ANNOUNCEMENT

### **Appointment of provisional liquidators; Investigation into Operating Subsidiaries including Kenlap Zhuhai; Delay in publication of Results Announcement and despatch of Annual Report; and Suspension of trading**

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

Further to the Company's announcements dated 12 July 2006 and 19 July 2006, the Board announces that pursuant to the Order of the High Court dated 24 July 2006, Messrs. Lai Kar Yan (also known as Lai Kar Yan, Derek) and Joseph Kin Ching Lo, both of Deloitte, have been appointed jointly and severally as the provisional liquidators of the company until further order.

The Board announces that, notwithstanding that the Audit is yet to be completed and it is still too early to ascertain the total potential negative impact on the Group arising from the matters as referred to in the aforesaid announcement, given the deterioration of the cash position of the Group to a level that is not sufficient to repay the short term debts of the Group, the Board resolved to apply to the courts of Hong Kong and Bermuda for the appointment of provisional liquidators in respect of the Company in order to protect the assets of the Company and to safeguard the interests of both the creditors and shareholders of the Company.

The Board wishes to announce that OG Holdings, on the recommendation of and with the active assistance of its Hong Kong management team, appointed Deloitte to assist OG Holdings in securing the safe custody of the company seals (公章) and finance chops (財務章) of the Operating Subsidiaries (which include Kenlap Zhuhai, a wholly-owned subsidiary of the Company) and to review the cash position of the Operating Subsidiaries (including Kenlap Zhuhai). Deloitte, accompanied by members of the OG Holdings' Hong Kong management team, has attended at the factories of the Operating Subsidiaries in the PRC (including Kenlap Zhuhai) and has secured the safe custody of the existing company seals and finance chops of the respective Operating Subsidiaries on 17 July 2006.

In the course of their investigations into the Operating Subsidiaries, the Hong Kong management team and Deloitte have also found that details of the existing cash and bank balances of Kenlap Zhuhai as shown to Deloitte by the financial personnel of Kenlap Zhuhai are materially different to those shown in the management accounts of Kenlap Zhuhai as 31 March 2006, which were previously provided to Hong Kong management by Kenlap Zhuhai. The aggregate bank balance of Kenlap Zhuhai as at 20 July 2006 confirmed by Deloitte was approximately RMB5,900,000. However, the management accounts of Kenlap Zhuhai show that, as at 31 March 2006, the aggregate bank balance of Kenlap Zhuhai was approximately RMB180,000,000. The legal representative of Kenlap Zhuhai has confirmed to the Board that he had no prior knowledge as to the discrepancy in relation to the bank balances before such discrepancy was identified by Deloitte and he has instructed PRC lawyers to follow up on this matter with the local police.

Save as disclosed herein, and in the announcement of the Company dated 12 July 2006, there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under rule 13.23 of the Listing Rules.

The independent enquiry by DTFS into certain accounting issues relating to Kenlap Zhuhai, OG Chemicals' precious metal electroplating chemicals trading business and other transactions undertaken by certain subsidiaries of OG Chemicals as reported in the Company's announcement dated 12 July 2006 is still continuing, and DTFS will present its report in due course.

As a result of the of the ongoing uncertainties and complications in respect of the investigations into the Operating Subsidiaries including Kenlap Zhuhai, as referred to above, as well as the outstanding issues to be clarified in respect of the Audit, which is still continuing, and the ongoing independent DTFS enquiry, the Company is of the view that there will be a delay in the publication by the Group of the Results Announcement and despatch to its shareholders of the Annual Report.

**At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended from 9:30 a.m. on 17 July 2006 and shall remain suspended until further notice.**

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

Reference is made to the announcements of the Company dated 12 July 2006 and 19 July 2006.

## **1. APPOINTMENT OF PROVISIONAL LIQUIDATORS**

Further to the Company's announcements dated 12 July 2006 and 19 July 2006, the Board announces that pursuant to the Order of the High Court dated 24 July 2006, Messrs. Lai Kar Yan (also known as Lai Kar Yan, Derek) and Joseph Kin Ching Lo, both of Deloitte, have been appointed jointly and severally as the provisional liquidators of the Company until further order.

The Board announces that, notwithstanding that the Audit is yet to be completed and it is still too early to ascertain the total potential negative impact on the Group arising from the matters as referred to in the aforesaid announcement, given the deterioration of the cash position of the Group to a level that is not sufficient to repay the short term debts of the Group, the Board resolved to apply to the courts of Hong Kong and Bermuda for the appointment of provisional liquidators in respect of the Company in order to protect the assets of the Company and to safeguard the interests of both the creditors and shareholders of the Company.

The Company will keep the public informed by making further announcements as appropriate.

## **2. INVESTIGATION INTO OPERATING SUBSIDIARIES INCLUDING KENLAP ZHUHAI**

The Board wishes to report that OG Holdings, on the recommendation of and with the active assistance of its Hong Kong management team, appointed Deloitte to assist OG Holdings in securing the safe custody of the company seals (公章) and finance chops (財務章) of the Operating Subsidiaries (which include Kenlap Zhuhai, a wholly-owned subsidiary of the Company) and to review the cash position of the Operating Subsidiaries (including Kenlap Zhuhai).

The Board also wishes to report that Deloitte, accompanied by members of OG Holdings' Hong Kong management team, has attended at the factories of the Operating Subsidiaries in the PRC (including Kenlap Zhuhai) and has secured the safe custody of the existing company seals and finance chops of the respective Operating Subsidiaries on 17 July 2006. Deloitte and the Hong Kong management team have also made attempts to freeze the bank accounts opened and maintained by Kenlap Zhuhai and to withhold payments from those bank accounts.

In the course of their investigations into the Operating Subsidiaries, the Hong Kong management team and Deloitte have also found that details of the existing cash and bank balances of Kenlap Zhuhai as shown to Deloitte by the financial personnel of Kenlap Zhuhai are materially different to those shown in the management accounts of Kenlap Zhuhai as at 31 March 2006, which were previously provided to Hong Kong management by Kenlap Zhuhai. The aggregate bank balance of Kenlap Zhuhai as at 20 July 2006 confirmed by Deloitte was approximately RMB5,900,000. However, the management accounts of Kenlap Zhuhai show that, as at 31 March 2006, the aggregate bank balance of Kenlap Zhuhai was approximately RMB180,000,000. The legal representative of Kenlap Zhuhai has confirmed to the Board that he had no prior knowledge as to the discrepancy in relation to the bank balances before such discrepancy was identified by Deloitte and he has instructed PRC lawyers to follow up this matter with the local police.

For the financial year ended 31 December 2004, Kenlap Zhuhai contributed approximately 35% of the Group's profit from operations.

### 3. CHRONOLOGY OF EVENTS AND POTENTIAL NEGATIVE IMPACT

As reported in OG Holdings' announcement dated 11 July 2006, during the conduct of the Audit (which is still continuing and has not been completed), the Auditors identified certain potential accounting irregularities in respect of OG Foshan and also concerning the recoverability and genuineness of certain accounts receivable, accounts payable, sales and purchases and other transactions of certain subsidiaries of the Company, including OG Foshan, OG Aluminium (Foshan), Kenlap Zhuhai, Kenlap Chemicals and Kenlap PGC. As a result, the audit committee of OG Holdings, on the recommendation of and with the active assistance of its Hong Kong management team, engaged DTFS to enquire into the business dealings between the relevant subsidiaries and the relevant customers and suppliers, and the results of the confirmation process undertaken by the Auditors with these customers and suppliers.

On the 12 July 2006, the Company announced that the Audit Committee, on the recommendation of and with the active assistance of the Hong Kong management team of the Company, intended to appoint DTFS to enquire into certain accounting issues relating to Kenlap Zhuhai, OG Chemicals' precious metal electroplating chemicals trading business and other transactions undertaken by certain subsidiaries of OG Chemicals.

The independent enquiry by DTFS into certain accounting issues relating to Kenlap Zhuhai, OG Chemicals' precious metal electroplating chemicals trading business and other transactions undertaken by certain subsidiaries of OG Chemicals as reported in the Company's announcement dated 12 July 2006 is still continuing, and DTFS will present its report in due course.

As a result of the of the ongoing uncertainties and complications in respect of the investigations into the Operating Subsidiaries including Kenlap Zhuhai, as referred to above, as well as the outstanding issues to be clarified in respect of the Audit, which is still continuing, and the ongoing independent enquiry by DTFS, the Board remains of the view that it is still too early to ascertain the total potential negative impact on the Group arising from the matters referred to above, and in the announcement of the Company dated 12 July 2006 and the announcements of OG Holdings dated 11 July 2006 and 12 July 2006.

### 4. DELAY IN PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF ANNUAL REPORT

As a result of the of the ongoing uncertainties and complications in respect of the investigations into the Operating Subsidiaries including Kenlap Zhuhai, as referred to above, as well as the outstanding issues to be clarified in respect of the Audit, which is still continuing, and the ongoing independent DTFS enquiry, the Company is of the view that there will be a delay in the publication by the Group of the Results Announcement and despatch to its shareholders of the Annual Report. A detailed announcement on this issue will be released by the Company when appropriate.

### 5. GENERAL

Save as disclosed herein and in the announcement of the Company dated 12 July 2006, the Company also confirms that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under rule 13.23 of the Listing Rules.

### 6. SUSPENSION OF TRADING

**At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended from 9:30 a.m. on 17 July 2006 and shall remain suspended until further notice.**

### 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
"Auditor"	Messrs. PricewaterhouseCoopers, the external auditor 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
"Deloitte"	Messrs. Deloitte Touche Tohmatsu
"Directors"	The directors of the Company
"DTFS"	Deloitte & Touche Forensic Services Limited
"Group"	The Company and its subsidiaries
"High Court"	The High Court of Hong Kong Special Administrative Region Court of First Instance
"Kenlap Chemicals"	Kenlap Chemicals Limited, a company incorporated under the laws of, and operating in, Hong Kong, and a wholly-owned subsidiary of the Company

“Kenlap PGC”	Kenlap P.G.C. Manufacturer Company Limited, a company incorporated under the laws of, and operating in, Hong Kong, and a wholly-owned subsidiary of the Company
“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 incorporated under the laws of, and operating in, the PRC, and a wholly-owned subsidiary of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“OG Aluminium Foshan”	弘力鋁業(佛山)有限公司 (OG Aluminium Company Limited (Foshan)), a wholly-owned subsidiary of OG Holdings incorporated under the laws of, and operating in, the PRC
“OG Foshan”	海域鋁業(佛山)有限公司 (Ocean Grand Aluminium Company Limited (Foshan)), a wholly-owned subsidiary of OG Holdings incorporated under the laws of, and operating in, the PRC
“OG Holdings”	Ocean Grand Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange, and which indirectly owns approximately 73% of the Company
“OG Holdings Group”	OG Holdings and its subsidiaries
“OG Sanshui”	海域鋁業(三水)有限公司 (OG Aluminium (Sanshui) Company Limited), a company incorporated under the laws of, and operating in, the PRC, and indirectly owned as to 90% by OG Holdings
“Operating Subsidiaries”	Kenlap Zhuhai, OG Foshan, OG Aluminium Foshan and OG Sanshui
“PRC”	The People’s Republic of China
“Results Announcement”	The audited results announcement of the Group for the year ended 31 March 2006
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board  
**Ocean Grand Chemicals Holdings Limited**  
**(Provisional Liquidators Appointed)**  
**Dr. Yip Kim Po**  
*Chairman*

Hong Kong, 24 July 2006

*As at the date of this announcement, the Board comprises four executive directors, namely Dr. Yip Kim Po (Chairman), Mr. Hui Ho Ming, Herbert, JP (Deputy Chairman), Mr. Kwan Yan, Mr. Lin Jianping, one non-executive director namely, Mr. Yeh V-nee, two independent non-executive directors, namely, The Honourable Cheung Yu-yan, Tommy, JP (Chairman of the Remuneration Committee), 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.