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**OCEAN GRAND HOLDINGS LIMITED**

(Provisional Liquidators Appointed)

**海域集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 1220)

## **ANNOUNCEMENT**

**Appointment of provisional liquidators;  
Investigation into Operating Subsidiaries;  
Judgment of PRC Intermediate People's Court;  
Writ of summons and letters of demand;  
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 announcements of the Company dated 11 July 2006 and 12 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 referred to in the aforesaid announcements, 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 also wishes to report that the Company, on the recommendation of and with the active assistance of the Hong Kong management team, appointed Deloitte to assist the Company in securing the safe custody of the company seals (公章) and finance chops (財務章) of the Operating Subsidiaries and to review the cash position of the Operating Subsidiaries.

The Board also wishes to report that Deloitte, accompanied by members of the Company's Hong Kong management team, has attended at the factories of the Operating Subsidiaries in the PRC and has secured the safe custody of the existing company seals and finance chops of the respective Operating Subsidiaries on 17 July 2006. Upon visiting the premises of OG Sanshui, it was found that the finance manager of OG Sanshui failed to report for work on 17 July 2006. The Company has been unable to contact or locate the finance manager of OG Sanshui since. Deloitte has also learned that the whereabouts of certain accounting books and records in respect of OG Sanshui are unknown and related electronic records have apparently been erased. These matters have been reported to the local police department.

In the course of their investigations into the Operating Subsidiaries, the Hong Kong management team and Deloitte have also found that the details of the existing cash and bank balances of the Operating Subsidiaries as shown to Deloitte by the financial personnel of Kenlap Zhuhai, OG Foshan and OG Aluminium Foshan respectively are materially different to those shown in the management accounts of Kenlap Zhuhai, OG Foshan and OG Aluminium Foshan respectively as at 31 March 2006, which were previously provided to the Hong Kong management of the Company by Kenlap Zhuhai, OG Foshan and OG Aluminium Foshan respectively. As at 20 July 2006, the aggregate bank balances of the Operating Subsidiaries confirmed by Deloitte was approximately RMB38,000,000. However, the management accounts of the Operating Subsidiaries show that, as at 31 March 2006, the aggregate bank balances of the Operating Subsidiaries was approximately RMB880,000,000. The Operating Subsidiaries have instructed PRC lawyers to follow up on this matter with the local police. The legal representatives of the Operating Subsidiaries have confirmed to the Board that they had no prior knowledge as to the discrepancy in relation to the bank balances before such discrepancy was identified by Deloitte, and they have instructed PRC lawyers to follow up with the local police in relation to this matter.

The Board also wishes to report that a judgment has been issued by Guangdong Province Foshan City Intermediate People's Court dated 17 July 2006 granting the pre-action application of Shenzhen Development Bank, Foshan Branch, to freeze assets of OG Aluminium Foshan and to freeze a deposit of up to RMB16.2 million held in OG Aluminium Foshan's bank account with Shenzhen Development Bank or property of equivalent value. Shenzhen Development Bank has provided a credit guarantee in respect of its application. According to the list of frozen assets issued by the court, it has frozen 3.26 tonnes of aluminium ingots, 113.275 tonnes of aluminium billets, 829.776 tonnes of aluminium extrusions products, 191.639 tonnes of mill-finished aluminium extrusion products and 24 tonnes of aluminium alloy ingots.

The Board also wishes to report that a writ of summons has been issued in the High Court on 20 July 2006 against Hing Yip, OG Development and the Company by Bank Sinopac claiming the payment of a sum of HK\$6,396,081.12 together with interest under banking facilities made available to Hing Yip and OG Development and guaranteed by OG Development and the Company. The Group has also received letters of demand from certain of the Group's other bankers for (i) immediate repayment of outstanding indebtedness in the aggregate amount of approximately HK\$81 million together with interest and (ii) deposit of approximately HK\$174 million to relevant bankers, pursuant to various banking facilities, indemnities, undertakings for repayment of overdraft and guarantees entered into with those banks.

The independent enquiry by DTFS into certain accounting issues relating to certain subsidiaries of the Company, including OG Foshan, OG Aluminium Foshan, Kenlap Zhuhai, Kenlap Chemicals and Kenlap PGC as reported in the Company's announcements dated 11 July 2006 and 12 July 2006 is still continuing and DTFS will present its report in due course.

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

The two independent non-executive directors, namely Mr. Choy Tak Ho and Mr. Chau Po Fan, were not contactable to give their comments on this announcement prior to its release.

**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 11 July 2006 and 12 July 2006.

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

Further to the announcements of the Company dated 11 July 2006 and 12 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 referred to in the aforesaid announcements, 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**

The Board wishes to report that the Company, on the recommendation of and with the active assistance of the Hong Kong management team, appointed Deloitte to assist the Company in securing the safe custody of the company seals (公章) and finance chops (財務章) of Operating Subsidiaries and to review the cash position of the Operating Subsidiaries.

The Board also wishes to report that Deloitte, accompanied by members of the Company's Hong Kong management team, has attended at the factories of the Operating Subsidiaries in the PRC and has secured the safe custody of the existing company seals and finance chops of the respective Operating Subsidiaries on 17 July 2006. Upon visiting the Sanshui Plant, it was found that the finance manager of OG Sanshui failed to report for work on 17 July 2006. The Company has been unable to contact or locate the finance manager of OG Sanshui since. Deloitte has also learned that the whereabouts of certain accounting books and records in respect of OG Sanshui are unknown and related electronic records have apparently been erased. These matters have been reported to the local police department. Deloitte and the Hong Kong management team have also made attempts to freeze the bank accounts opened and maintained by the Operating Subsidiaries 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 the details of the cash and bank balances of Kenlap Zhuhai, OG Foshan and OG Aluminium Foshan as shown to Deloitte by the financial personnel of Kenlap Zhuhai, OG Foshan and OG Aluminium Foshan are materially different to those shown in the management accounts of Kenlap Zhuhai, OG Foshan and OG Aluminium Foshan respectively as at 31 March 2006, which were previously provided to the Hong Kong management of the Company by Kenlap Zhuhai, OG Foshan and OG Aluminium Foshan respectively. As at 20 July 2006, the aggregate bank balances of the Operating Subsidiaries confirmed by Deloitte was approximately RMB38,000,000. However, the management accounts for the Operating Subsidiaries show that, as at 31 March 2006, the aggregate bank balances of the Operating Subsidiaries was approximately RMB880,000,000. The Operating Subsidiaries have instructed PRC lawyers to follow up with the local police in relation to this matter. The legal representatives of the Operating Subsidiaries have confirmed to the Board that they had no prior knowledge as to the discrepancy in relation to the bank balances before such discrepancy was identified by Deloitte, and they have instructed PRC lawyers to follow up with the local police in relation to this matter.

For the financial year ended 31 December 2004, OG Sanshui, OG Foshan, OG Aluminium Foshan and Kenlap Zhuhai contributed approximately 0%, 38%, 8% and 14% respectively of the Group's profit from operations.

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

### **3. JUDGMENT OF PRC INTERMEDIATE PEOPLE'S COURT**

The Board also wishes to report that a judgment has been issued by Guangdong Province Foshan City Intermediate People's Court dated 17 July 2006 granting the pre-action application of Shenzhen Development Bank, Foshan Branch, to freeze assets of OG Aluminium Foshan and to freeze a deposit of up to RMB16.2 million held in OG Aluminium Foshan's bank account with Shenzhen Development Bank or property of equivalent value. Shenzhen Development Bank has provided a credit guarantee in respect of its application. According to the list of frozen assets issued by the court, it has frozen 3.26 tonnes of aluminium ingots, 113.275 tonnes of aluminium billets, 829.776 tonnes of aluminium extrusions products, 191.639 tonnes of mill-finished aluminium extrusion products and 24 tonnes of aluminium alloy ingots.

#### **4. WRIT OF SUMMONS AND LETTERS OF DEMAND**

The Board also wishes to report that a writ of summons has been issued in the High Court claiming on 20 July 2006 against Hing Yip, OG Development and the Company by Bank Sinopac claiming the payment of a sum of HK\$6,396,081.12 together with interest under banking facilities made available to Hing Yip and OG Development and guaranteed by OG Development and the Company. The Group has also received letters of demand from certain of the Group's other bankers for (i) immediate repayment of outstanding indebtedness in the aggregate amount of approximately HK\$81 million together with interest and (ii) deposit of approximately HK\$174 million to relevant bankers, pursuant to various banking facilities, indemnities, undertakings for repayment of overdraft and guarantees entered into with those banks.

#### **5. CHRONOLOGY OF EVENTS AND POTENTIAL NEGATIVE IMPACT**

As reported in the announcement of the Company 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, on the recommendation of and with the active assistance of the Hong Kong management team of the Company, 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 of OG Chemicals, on the recommendation of and with the active assistance of its Hong Kong management team, 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 certain subsidiaries of the Company, including OG Foshan, OG Aluminium Foshan, Kenlap Zhuhai, Kenlap Chemicals and Kenlap PGC as reported in the Company's announcements dated 11 July 2006 and 12 July 2006 is still continuing and DTFS will present its report in due course.

As a result of the ongoing uncertainties and complications in respect of the investigations into the Operating Subsidiaries, 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 being conducted 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 announcements of the Company dated 11 July 2006 and 12 July 2006.

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

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

## 7. GENERAL

Save as disclosed herein, and in the announcements of the Company dated 4 April 2006 and 3 July 2006 (in relation to the Proposed Acquisition), the Company 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.

The two independent non-executive directors, namely Mr. Choy Tak Ho and Mr. Chau Po Fan, were not contactable to give their comments on this announcement prior to its release.

## 8. 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 fifteen month period ended 31 March 2006
“Audit”	The audit of the Group’s accounts for the fifteen month period ended 31 March 2006 and the audit of OG Chemicals 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 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
“Hing Yip”	Hing Yip Holdings (Hong Kong) Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Company
“Kenlap Chemicals”	Kenlap Chemicals Limited, a company incorporated under the laws of, and operating in, Hong Kong, and a wholly-owned subsidiary of OG Chemicals
“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 OG Chemicals
“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 OG Chemicals

“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 the Company incorporated under the laws of, and operating in, the PRC
“OG Chemicals”	Ocean Grand Chemicals Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange, and which is indirectly owned as to approximately 73% by the Company
“OG Chemicals Group”	OG Chemicals and its subsidiaries
“OG Development”	OG Development Company Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Company
“OG Foshan”	海城鋁業(佛山)有限公司 (Ocean Grand Aluminium Company Limited (Foshan)), a wholly-owned subsidiary of the Company incorporated under the laws of, and operating in, the PRC
“OG Sanshui”	海城鋁業(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 the Company
“Operating Subsidiaries”	Kenlap Zhuhai, OG Foshan, OG Aluminium Foshan and OG Sanshui
“PRC”	The People’s Republic of China
“Proposed Acquisition”	The proposed acquisition by the Company of all or part of the equity interest of a potential vendor in a joint venture company established in the PRC which is principally engaged in the business of production and distribution of aluminium extrusion products in the PRC, as referred to in the announcements of the Company dated 4 April 2006 and 3 July 2006
“Remuneration Committee”	The remuneration committee of the Company
“Results Announcement”	The audited results announcement of the Group for the fifteen month period ended 31 March 2006
“RMB”	Renminbi, the lawful currency of the PRC
“Sanshui Plant”	The Group’s aluminium production facilities at Sanshui, Foshan City, Guangdong Province, the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 24 July 2006

*As at the date of this announcement, the Board of the Company comprises six executive directors, namely Dr. Yip Kim Po (Chairman), Mr. Hui Ho Ming, Herbert (Deputy and Vice Chairman), Mr. Kwan Yan, Mr. Kwan Man Wai, Mr. Li Lee Cheung and Ms. Yip Wan Fung, and two independent non-executive directors, namely Mr. Choy Tak Ho and Mr. Chau Po Fan.*

*The directors of the Company (save for Mr. Choy Tak Ho and Mr. Chau Po Fan who were not contactable to give their comments on this announcement prior to its release) 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.