



Chairman's Statement

I am pleased to present to shareholders our first annual report since the listing of the Company's Shares on the Main Board of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") on 9th March 2004.

The year of 2003 was significant to the Group in terms of growth and corporate development. During the year, the Group devoted to the preparation for the listing and fulfilled the stringent requirements of the international equity market and successfully enhanced its management standard through the listing exercise. With the dedication of all our staff, the Group successfully listed on the Stock Exchange on 9th March 2004. The listing has laid down a new milestone to the Group. It was well received among institutional and public investors. The public offer was over subscribed by 391.8 times and the net proceeds raised amounted to approximately RMB149.2 million (equivalent of HK\$140.8 million), a token of the confidence of the investors towards the prospects of the fine chemical products industry in the People's Republic of China ("the PRC") and the Group.

In addition, the Group was awarded the "Leading Enterprise in the Forestry Industry in Fujian Province" (福建省林業產業化龍頭企業) by the Forestry Bureau of Fujian Province (福建省林業局) and Finance Bureau of Fujian Province (福建省財政局) in 2003. Also, the Group was recognised as a "New High Technology Enterprise" (高新技術企業) by the Department of Science and Technology of Xiamen (廈門市科學技術局). The leading position of the Group in terms of operation scale and level of technology is widely recognised in the PRC.

BUSINESS REVIEW

In 2003, the Group achieved a remarkable growth. Turnover reached RMB223.2 million, representing an increase of 52.1% over 2002. Profit for the year increased by 61.2% to approximately RMB54.7 million. Basic earnings per share was approximately RMB18 cents.

The products of the Group are extensively applied in pharmaceutical, healthcare, beauty and cosmetics, personal care, household and sanitary industries. With the increasing health consciousness of the public, together with the wide recognition of the effectiveness of chiral pharmaceutical products, the demand of the three major product groups of the Group, namely (i) chiral pharmaceuticals raw materials and pharmaceutical intermediates, (ii) natural pharmaceutical raw materials, and (iii) aroma chemicals, is surging. As a result, the Group has benefited from such continuously growing market demand.

Moreover, since the completion of the enhancement project on the Group's production facilities in the second half of 2002, the annual processing capacity of botanic essential oils increased by 1,500 metric tonnes to 9,500 metric tonnes, which led to an increase in production output and consequently sales. As to the production capability, the Group had increased the product types from 9 to over 30 types of products and product diversification was achieved. Through further development of high value-added fine chemical products, gross profit margin was improved. The percentage of the Group's turnover generated by the high value-added chiral pharmaceuticals raw materials and pharmaceutical intermediates increased to 10% in 2003 as compared to 5% in 2002. As a result, gross profit margin and net profit margin increased by 0.8% and 1.4% respectively.

BUSINESS OUTLOOK

Looking ahead, "Business specialisation and product diversification" remains to be the development direction of the Group. Leveraging on the existing business model, the Group will enhance its core technological edge to expediate product diversification and tap into downstream products.

After the completion of the expansion of the Group's production facilities, the Group's annual processing capacity of botanic essential oils will further increase to 11,000 metric tonnes and four new high value-added chiral pharmaceuticals raw materials and pharmaceutical intermediates will be launched to the market. Meanwhile, the construction of a new multi-purpose plant with a total floor area of 16,000 sq.m. will commence in the second half of 2004 and is expected to be completed by 2005. The Group will also actively expand its overseas business by establishing a logistic support centre in Rotterdam, Europe.

For research and development, apart from the joint investment with Xiaman University in an enterprise for the research and development of biological and chemical medicines, the Group will continue the collaboration with other academics and research institutions through "Industry – University – Research Partnership" (產學研) to develop new products and production technologies, so as to maintain our leading position. On the other hand, the Group will continually employ additional professionals and acquire sophisticated equipments to lay down a solid foundation for future development.

On behalf of the Board, I would like to express my sincere gratitude to our shareholders, clients, suppliers and staff for their trust and support towards the Group since their effort and hard work are essential to our growth and success. I would like to invite all shareholders to witness our future remarkable development in the years to come, and we look forward to achieve an impressive performance in the year 2004.

Yang Yirong

Chairman

Hong Kong, 20th April 2004

