



# Notes to the Accounts

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## 1. COMPANY BACKGROUND, GROUP REORGANISATION AND BASIS OF PRESENTATION

EcoGreen Fine Chemicals Group Limited (“the Company”) was incorporated in the Cayman Islands on 3rd March 2003 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 9th March 2004.

Upon incorporation on 3rd March 2003, the Company had an authorised share capital of HK\$100,000, divided into 1,000,000 shares of HK\$0.1 each. It allotted and issued as nil paid a total of 450,000 ordinary shares during the period ended 31st December 2003. Apart from the foregoing, no other transactions were carried out by the Company during the period from 3rd March 2003 (date of incorporation) to 31st December 2003.

Subsequent to 31st December 2003 (period end), on 16th February 2004, the Company acquired the entire issued share capital of EcoGreen Fine Chemicals Limited, a company incorporated in the British Virgin Islands, through a share exchange (“the Reorganisation”) and consequently became the holding company of the subsidiaries as set out in Note 33 to the accompanying proforma consolidated accounts.

As the Reorganisation took place on 16th February 2004, the current group structure resulting from the Reorganisation did not exist at any day during the period ended 31st December 2003. The Company’s accounts as at and for the period from 3rd March 2003 (date of incorporation) to 31st December 2003 have not reflected the effect of the Reorganisation in accordance with Statement of Standard Accounting Practice No. 27 “Accounting for group reconstructions” (“SSAP 27”) issued by the Hong Kong Society of Accountants because SSAP 27 specifies that accounts should not incorporate a combination which occurs after the date of the most recent balance sheet included in the accounts even though the reorganisation occurred after such date meets the definition of a group reconstruction.

The Company’s Directors consider that it will provide additional information by presenting proforma consolidated accounts of the Group using merger accounting by treating the Group as a continuing entity. On this basis, the accompanying proforma consolidated accounts as at and for the year ended 31st December 2003 have presented the state of affairs, results of operations and cash flows of the companies now comprising the Group as if the structure of the Group resulting from the Reorganisation had been in existence throughout the year and the share capital of the Company outstanding immediately after the share exchange in connection with the Reorganisation and the related subsequent capitalisation issue as described in Note 4, totalling 300,000,000 shares of HK\$0.1 each, had been in existence throughout the year.

## 2. PRINCIPAL ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

## 3. SHARE CAPITAL

	Note	Number of shares	Nominal value RMB'000
<b>Ordinary shares of HK\$0.1 each</b>			
Authorised:			
Upon incorporation on 3rd March 2003	(i)	1,000,000	106
Issued:			
Allotted and issued nil paid	(ii)		
– on 24th March 2003		1	–
– on 28th October 2003		449,999	–
At 31st December 2003		450,000	–

Notes:

- (i) On 3rd March 2003 (date of incorporation), the authorised share capital of the Company was RMB106,000 (equivalent of HK\$100,000), divided into 1,000,000 ordinary shares of HK\$0.1 each.
- (ii) On 24th March 2003 and 28th October 2003, 1 share and 449,999 shares of the Company were allotted and issued as nil paid, respectively.

#### 4. SUBSEQUENT EVENTS

In addition to those disclosed elsewhere in the accounts, the following significant events have taken place subsequent to 31st December 2003:

- (i) On 10th February 2004, 25,000 shares of the Company were allotted and issued as nil paid.
- (ii) On 16th February 2004, the authorised share capital of the Company was increased from RMB106,000 (equivalent of HK\$100,000) to RMB212,000,000 (equivalent of HK\$200,000,000), by the creation of additional 1,999,000,000 shares of HK\$0.1 each.
- (iii) On 16th February 2004, the Company:
  - (a) credited as fully paid at par value of HK\$0.1 each 475,000 ordinary shares of the Company, which were previously allotted and issued as nil paid; and
  - (b) further allotted and issued 475,000 ordinary shares of the Company, credited as fully paid at par value of HK\$0.1 each,

as consideration of and in exchange for the entire issued share capital of EcoGreen Fine Chemicals Limited in connection with the Reorganisation (see Note 1).

- (iv) On 16th February 2004, 299,050,000 ordinary shares of the Company were allotted and issued, credited as fully paid at par value of HK\$0.1 each to the then existing shareholders of the Company in proportion to their respective shareholding, by the capitalisation of RMB31,699,300 (equivalent of HK\$29,905,000) from the share premium account. Such allotment and capitalisation were conditional on the share premium account being credited as a result of the new shares issued in connection with a listing of the Company's shares on The Stock Exchange of Hong Kong Limited as described in (vi) below.
- (v) On 16th February 2004, a share option scheme was approved and adopted. Details of the share option scheme are set out in Note 27 to the accompanying proforma consolidated accounts.
- (vi) On 8th March 2004, the Company issued 115,000,000 ordinary shares of HK\$0.1 each at approximately RMB1.46 (equivalent of HK\$1.38) per share in connection with a listing of the Company's shares on The Stock Exchange of Hong Kong Limited, and raised net proceeds of approximately RMB149,245,000 (equivalent of HK\$140,797,000).

#### 5. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 20th April 2004.