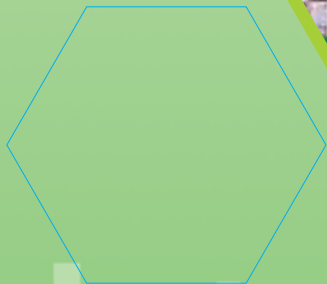
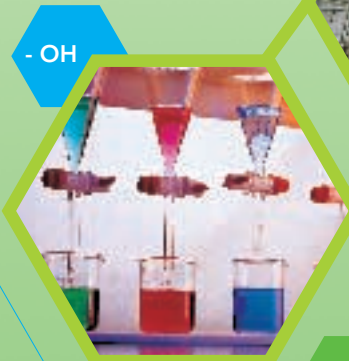




EcoGreen Fine Chemicals Group Limited
中怡精細化工集團有限公司*
(incorporated in the Cayman Islands with limited liability)



- OH

- CHO

- NH₂

Interim Report 2004

* For identification purposes only



CONTENTS

2	Corporate information
3	Financial highlights
4	Chairman's message
6	Management discussion and analysis
9	Other information
15	Condensed consolidated profit and loss account
16	Condensed consolidated balance sheet
17	Condensed consolidated statement of changes in equity
18	Condensed consolidated cash flow statement
19	Notes to the condensed accounts



CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Yang Yirong (*Chairman & President*)
Mr. Gong Xionghui
Ms. Lu Jiahua
Mr. Lin Zhigang
Mr. Ho Wan Ming

NON-EXECUTIVE DIRECTOR

Mr. Yang Chiming[#]

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Zheng Lansun^{Δ#}
Mr. Yau Fook Chuen^{Δ#}
Mr. Wong Yik Chung, John^{Δ#}

^Δ *Audit committee members*
[#] *Remuneration committee members*

COMPANY SECRETARY

Mr. Lam Kwok Kin *ACCA, CPA*

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit No. 508
5th Floor, Tower 2
Lippo Centre
89 Queensway
Hong Kong

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISERS

Chiu & Partners

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
China Construction Bank, Xiamen Branch

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
36C Bermuda House, 3rd Floor
P.O. Box 513 GT
Dr. Roy's Drive
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

WEBSITE

<http://www.ecogreen.com>

STOCK CODES

Stock Exchange, Hong Kong:	2341
Access to Reuters:	2341.HK
Access to Bloomberg:	2341 HK Equity

The results of EcoGreen Fine Chemicals Group Limited (“the Company”) and its subsidiaries (collectively referred as to “the Group”) for the six months ended 30th June 2004 as compared to that of the same period in 2003, were as follows:

- Turnover of the Group increased by 37% to approximately RMB128 million.
- Gross profit and operating profit of the Group increased by 55% and 68% to approximately RMB54 million and approximately RMB39 million, respectively.
- Profit attributable to the shareholders increased by 60% to approximately RMB31 million.

	Six months ended 30th June		Change
	2004 (Unaudited) RMB'000	2003 (Unaudited) RMB'000	
RESULTS OF THE GROUP			
Turnover	127,759	93,188	37%
Gross profit	53,777	34,606	55%
Profit attributable to shareholders	31,478	19,692	60%
Earnings per share – Basic	RMB8.5 cents	RMB6.6 cents	29%
Gross profit margin	42.1%	37.1%	5.0%
Net profit margin	24.6%	21.1%	3.6%
	30th June 2004 (Unaudited) RMB'000	31st December 2003 (Audited) RMB'000	
FINANCIAL POSITIONS OF THE GROUP			
Shareholders' equity	287,460	85,888	235%
Total assets	473,946	283,850	67%
Net assets per share (Note)	RMB0.69	RMB0.29	146%

Note: Based on 415,000,000 shares issued and fully paid as at 30th June 2004 and 300,000,000 ordinary shares are deemed to be in issue as at 31st December 2003.



CHAIRMAN'S MESSAGE

The Group's products are widely used in the pharmaceuticals, healthcare and personal care industries. The increasingly awareness of the importance of personal healthcare and environmental protection by the general public has offered a tremendous opportunity for the Group as a gradual growth in demand of the Group's products is expected. Besides, it is envisaged that more multinational manufacturers of downstream products are going to establish their factories in the PRC. The Group, as the supplier of those companies in the PRC, will directly benefit from this trend in the future. To capture this invaluable opportunity and to continue to enhance the Group's competitiveness in the market, the Group will keep on the following strategies for its future development:

"BUSINESS SPECIALIZATION AND PRODUCT DIVERSIFICATION" TO ENSURE SUSTAINABLE AND RAPID BUSINESS GROWTH

During the first half of the year, the turnover and the net profit of the Group increased by 37% and 60% respectively when compared with the same period as last year. The overall gross profit margin was increased to a level of 42.1%. During the period, the sales volume of the high value-added chiral pharmaceuticals raw materials and pharmaceutical intermediates products was more than double over the last corresponding period. The Group's successful existing products mix together with its strategy of product diversification have created a well-established foundation for the Group's future development.

Looking ahead, the Group will continue to adopt "Business specialization and product diversification" as its development direction and through its existing business model as a platform to expand its core business. Further, more resources will be deployed to develop high value-added chiral pharmaceuticals raw materials and pharmaceutical intermediates products. With the launching of four kinds of new high value-added chiral pharmaceuticals raw materials and pharmaceutical intermediates products in the second half of the year, these products will be the growth drivers for the Group and ensure the Group's sustainable and rapid business growth.

EXPANSION OF EXISTING PRODUCTION FACILITIES AND ESTABLISHMENT OF NEW PRODUCTION ZONE

The expansion and technology advancement of the production facilities at the existing Haicang Plant commenced in August 2004 and is expected to be completed by mid of September 2004. The enlarged production facilities will enable the Group to produce a wider variety of products and further speed up the expansion of its product range to complement product diversification. Further, the expanded production facilities will enhance the Group's annual processing volume of botanic essential oils from the current 9,500 metric tonnes to 11,000 metric tonnes.

In the meantime, the construction of a new plant on a plot of land with a site area of approximately 16,000 sq. m. in close proximity to Haicang Plant has entered the stage of planning and design. It is expected that the construction works will commence in the fourth quarter of 2004 and will be completed by the fourth quarter of 2005. The new plant will be equipped with advanced production lines, sewage treatment stations and a series of storage tanks. It will possess a production capability of over 20 kinds of new fine chemicals. It is expected that the Group's overall annual processing volume of the botanic essential oils will reach 16,000 metric tonnes after the commencement of operation.

EXPANSION OF DOMESTIC CLIENTELE AND EXPLORATION OF OVERSEAS MARKETS

The sales centre in Guangzhou, the PRC is now in operation. This allows the Group to directly access potential customers in this key production base of personal healthcare and household products of the PRC and helps to broaden its customer base within the Southern China region. The sales of natural pharmaceutical raw materials of the Group can also be enhanced. Besides, the Group will employ more professionals within the fine chemical industry to enhance sales workforce so as to accelerate expansion of market share. During the period, the Group was also actively working on the establishment of a logistics support centre in Europe, it is expected that the centre will commence operation by the end of 2004. It is believed that the centre will facilitate the exploration of overseas markets and increase the proportion of direct sales of the Group's products to these markets.

On the other hand, the Group has appointed Mr. José Antonio Rodriguez Gascón as the Operations Consultant of the Group earlier this year. Mr. Rodriguez has over 30 years' extensive experience in fine chemicals industry especially in aroma chemicals. He worked for several renowned fine chemicals corporations in Europe and the U.S. where he assumed key positions. Mr. Rodriguez will be responsible for the products development planning of the Group and the Group's collaboration with foreign corporations. He will also advise on the operational management and sales strategy of the Group. During the period, Mr. Rodriguez has made efforts to establish business relationships with overseas fine chemicals corporations, among others, the collaboration with a major overseas fine chemicals manufacturer. With Mr. Rodriguez joining the Group, it is believed that the Group will be embraced with more overseas business opportunities.

EMPHASIS ON RESEARCH AND DEVELOPMENT TO CONSOLIDATE COMPETITIVE STRENGTH

It is essential that the Group continues to advance its research and development technologies so as to enhance its products' quality, produce new and diversified products and further consolidate its overall competitive strength in the fine chemicals market. During the period, besides continuously working with leading academic and research institutes on research and development under the model of "Industry-University-Research Partnership", the Group also purchased additional advanced equipments and recruited more skillful personnel so as to enhance and improve its research and development capability and scale.

In order to further speed up the research and development of chiral pharmaceuticals raw materials and pharmaceutical intermediates to facilitate the Group's future growth, the Group is also in searching for the possibility of having collaboration with or making strategic investments in both domestic and overseas top class research and development institutions, thus achieving synergy effect with its own business.

ACKNOWLEDGEMENT

Year 2004 is not only the milestone for the Company to become a listed company, but is also a stepping-stone for the Group striving to become one of the leading manufacturers in the global's natural fine chemicals industry. The Group will face more opportunities and challenges and will endeavour to maximize the returns to our shareholders. Lastly, on behalf of the Board, I would like to express my sincere gratitude to our shareholders, clients, suppliers and staffs for their trust and support towards the Group since their effort and hard work are essential to our growth and success.

YANG YIRONG

Chairman & President

Hong Kong, 9th September 2004



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

In the first six-month period under review, the Group continuously recorded a robust business growth. Turnover reached approximately RMB128 million in the six months ended 30th June 2004, a swift growth of 37% when compared to same period in 2003. Gross profit in the first half of 2004 was approximately RMB53.8 million, a surge of 55% when compared to approximately RMB34.7 million for the six months ended 30th June 2003. Profit attributable to shareholders and earnings per share for the period increased 60% and 29%, respectively, to approximately RMB31.5 million and approximately RMB8.5 cents per share.

In the period under review, the notable growth in overall sales and profit was mainly driven by the boost in the sales of the Group's three categories of products namely chiral pharmaceuticals raw materials and pharmaceutical intermediates, natural pharmaceutical raw materials and aroma chemicals. The turnover of chiral pharmaceuticals raw materials and pharmaceutical intermediates was increased by 151% to approximately RMB15.7 million, sales of natural pharmaceutical raw materials recorded an encouraging growth by 23% and reach approximately RMB35.2 million and further, the growth in the sales of aroma chemicals increased substantially by 31.8% to reach approximately RMB76.8 million. Analyzed by geographical market segments, domestic sales increased 48% to RMB110 million and it accounted for 86% of the turnover of the Group. Export sales recorded a moderate decrease by 7% to RMB17.5 million. As a result, the consolidated turnover of the Group increased 37% to approximately RMB128 million.

Leveraged on the benefits brought forth by economies of scale, improvement of operational efficiency, from the shift of the products portfolio and the stability of the price of the raw materials due to the fact that the major raw materials of the Group are botanic essential oils which are natural renewable products and its prices are not affected by the continuous increase in the price of petroleum products, the gross profit margin further increased significantly to 42.1%, compared to 37.1% in the corresponding period last year. Selling expenses as a percent of sales decreased from 4.6% to 2.8% which was resulted from the Group's effort on cost saving. Administrative expenses as a percent of sales increased from 8.2% to 9.3% was mainly due to the administrative expenses for organisational re-structuring and listing compliance following the Company's listing on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). Resulting from the increase of the interests charged on the interest bearing borrowings and the written off of the convertible bonds issuance costs, the finance expenses recorded RMB1.3 million increment compared to the same period last year. Combining the above, the net profit margin of the Group is still capable to increase from 21.1% in the six months ended 30th June 2003 to 24.7% in the six months ended 30th June 2004.

BUSINESS REVIEW

Chiral pharmaceuticals raw materials and pharmaceutical intermediates ("the Chiral products")

Chiral products are principally used as raw materials in the production of chiral drugs. As at 30th June 2004, the Group produced α -Phenylethyl Alcohol (α -苯乙醇), L-Camphor (左旋樟腦), D-Bornel (右旋龍腦), Intermediary Polysaccharide (T110), 3-Phenylpropanal (3-苯丙醛) and Resveratrol (白藜蘆醇). The sales of Chiral products was under a substantial growth in the first half of 2004, especially for the latter two products which were launched in prior year, customers' responses to these products were very positive and encouraging. During the period under review, the Group's new Chiral products were progressively recognised by the pharmaceutical markets and there was a strong demand from pharmaceutical traders and manufacturers. As a result, turnover of the Chiral products increased 151% to approximately RMB15.7 million.

BUSINESS REVIEW *(Continued)*

Natural pharmaceuticals raw materials

Natural pharmaceuticals raw materials are used as functional ingredients in the production of healthcare products like skin medicine, pain releasing analgesic for relief of muscle aches, fatigue refresher and medicated oil for nasal discomfort and stuffy noses. As at 30th June 2004, the Group mainly produced Natural Cinnamic Aldehyde (天然肉桂醛), Eucalyptol (桉葉素), Eugenol (丁香酚) and Eucalyptus Globulus Oil (桉葉油), etc. The general improvement in living standards, awareness of healthcare has led to a growing demand for those downstream products in the PRC and in the global market. During the period under review, all the Group's natural pharmaceuticals raw materials posted a progressive growth and the turnover had increased 23% to approximately RMB35.2 million.

Aroma chemicals

Aroma chemicals are broadly used as ingredients in flavour and fragrance products which are applied in a wide range of personal care products, cosmetics and fragrance products. As at 30th June 2004, aroma chemicals produced by the Group mainly include Dihydromyrenol (二氫月桂烯醇), Dihydromyrcene (二氫月桂烯), Natural Citronellal (天然香茅醛) and Natural Citronellol (天然香茅醇), etc. The Group's customers include trading companies and multinational flavour and fragrance companies. As these aroma chemicals are mainly applied as functional ingredients or intermediates for a wide range of daily necessities. The growing demand for these downstream products in the PRC and the international market bring more customers to the Group. Additionally, existing customers had placed larger quantities orders with the Group. During the period under review, the turnover of aroma chemicals increased 32% to approximately RMB76.8 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the period under review, the Group's primary source of funding included the net proceeds received from the initial public offering of the Company's shares in March 2004 and credit facilities provided by its principal banks in the PRC. The Group's capability in working capital management attributed a net cash inflow from operating activities amounting to approximately RMB25.8 million (six months ended 30th June 2003: approximately RMB10.3 million). As at 30th June 2004, the Group had cash and bank deposits of approximately RMB224.9 million (31st December 2003: approximately RMB65.9 million).

The Group's financial position was solid throughout the period. As at 30th June 2004, the net current assets and the current ratio of the Group were approximately RMB196.8 million (31st December 2003: approximately RMB40.9 million) and 2.38 (31st December 2003: 1.32), respectively. The Group's gearing ratio as at 30th June 2004, which is represented by the ratio of total debts to total assets, was decreased from 57.7% at 31st December 2003 to 31.8%. As at 30th June 2004, the Group had total assets of approximately RMB473.9 million (31st December 2003: approximately RMB283.9 million) and total borrowings of approximately RMB150.8 million (31st December 2003: approximately RMB163.9 million).

The Group will continue to maintain a sound finance position. With the positive cash inflow from operations and its available banking facilities, the Group has sufficient financial resources to meet its commitments, working capital requirements and future investments for expansion.

CAPITAL EXPENDITURE

During the period under review, the Group invested approximately RMB21.3 million in the additions of property, plant machinery and equipment, compared to approximately RMB3.6 million for the same period last year.



MANAGEMENT DISCUSSION AND ANALYSIS

ISSUE OF SHARES AND USE OF THE PROCEEDS FROM THE INITIAL PUBLIC OFFERING

During the six months ended 30th June 2004, 299,050,000 ordinary shares of the Company were allotted and issued to the then existing shareholders of the Company in proportion to their respective shareholding, by the capitalisation of approximately RMB31,699,300 (equivalent to approximately HK\$29,905,000) from the share premium account.

On 8th March 2004, the Company issued 115,000,000 ordinary shares with nominal value HK\$0.1 each at an offer price approximately RMB1.46 (equivalent to HK\$1.38) per share under its initial public offering. The net proceeds were approximately RMB143,140,000 (equivalent to approximately HK\$135,038,000). As at 30th June 2004, the proceeds were used as follows:

- approximately RMB2 million was used for the expansion of the existing production facilities; and
- approximately RMB15 million was used for the construction and the installation of machineries and equipments at the new production plant.

The remaining net proceeds were not used as at 30th June 2004 and were placed in the short-term deposits with banks in Hong Kong and in the PRC.

08

CHARGE ON ASSETS

As at 30th June 2004, the Group's bank borrowings were secured by pledge of certain of the Group's land and buildings and cash and bank deposits of approximately RMB40.6 million and approximately RMB31.8 million, respectively (31st December 2003: approximately RMB37.2 million and RMB nil, respectively).

TREASURY POLICIES AND EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's transactions are mainly denominated in Renminbi, United States dollars and Hong Kong dollars with its operation mainly in the PRC. The Group's exposure to the foreign exchange fluctuations was minimal during the period under review.

CONTINGENT LIABILITIES

As at 30th June 2004, neither the Group nor the Company had any contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30th June 2004, the Group has 215 full-time employees of which 210 are based in the PRC and 5 in Hong Kong.

Staff are encouraged to attend training which is related to the Group's business and seminars are provided to its sales staff on business knowledge. Remuneration packages offered to the staff are in line with the prevailing market terms and reviewed on a regular basis. Discretionary bonuses may be rewarded to employees after assessment of the Group's and the individual's performance. Apart from salaries and bonuses, staff are also entitled to other benefits, including participation in retirement benefits schemes and the share option scheme adopted by the Company pursuant to resolutions in writing of all the shareholders of the Company passed on 16th February 2004. During the period under review, 27 million share options were granted to employees giving them the rights to subscribe for an aggregate of 27 million shares of the Company.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June 2004 (six months ended 30th June 2003: RMB nil).

SHARE OPTIONS

Pursuant to a written resolution of the shareholders of the Company passed on 16th February 2004, a share option scheme (the "Share Option Scheme") was approved and adopted. The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contributions to the Group. All Directors, employees, suppliers of goods or services, customers, persons or entities that provide research, development or other technological support to the Group, shareholders and advisers or consultants of the Group are eligible to participate in the Share Option Scheme.

There are no changes in any terms of the scheme during the six months ended 30th June 2004. The detailed terms of the scheme were disclosed in the 2003 annual accounts.

Details of the share options outstanding as at 30th June 2004 which have been granted under the Share Option Scheme are as follows:

Grantees	Outstanding as at 1st January 2004	Granted during period	Outstanding as at 30th June 2004
Category 1 – Director			
Mr. Gong Xionghui	–	4,000,000	4,000,000
Ms. Lu Jiahua	–	3,500,000	3,500,000
Mr. Lin Zhigang	–	3,000,000	3,000,000
Mr. Ho Wan Ming	–	2,000,000	2,000,000
Mr. Yang Chiming	–	800,000	800,000
Mr. Yau Fook Chuen	–	400,000	400,000
Mr. Wong Yik Chung, John	–	400,000	400,000
Dr. Zheng Lansun	–	400,000	400,000
	–	14,500,000	14,500,000
Category 2 – Employees under continuous employment contract	–	12,500,000	12,500,000
Category 3 – Others	–	14,375,000	14,375,000
Total	–	41,375,000	41,375,000



OTHER INFORMATION

SHARE OPTIONS *(Continued)*

On 8th June 2004, the Company granted a total of 41,375,000 share options to certain eligible participants as set out above, which entitled them to subscribe for a total of 41,375,000 ordinary shares of HK\$0.10 each in the Company. The share options are exercisable at a price of HK\$1.37 per ordinary share for the period from 9th June 2004 to 7th June 2014, in accordance with the terms of the offer letters given by the Company to the grantees.

The financial impact of options granted will not be recorded in the accounts of the Group until such time when the options are exercised. Upon the exercise of the options, the relevant number of shares issued will be recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of shares will be recorded by the Company in the share premium account. Options which have lapsed prior to their exercise date will be deleted from the outstanding options.

The Directors consider that it is not appropriate to disclose the value of options granted during the period, since any valuation of the above options would be subject to a number of assumptions that would be subjective and uncertain.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30th June 2004, the interests and short positions of the Directors and chief executive in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO; or as notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

(a) Interest in ordinary shares of HK\$0.10 each of the Company

Name of Directors	Capacity	Number of issued ordinary shares held	Percentage of the Company's issued share capital
Mr. Yang Yirong	Interest of a controlled corporation (<i>Note i</i>)	193,263,158	46.57%
Mr. Yang Chiming	Interest of a controlled corporation (<i>Note ii</i>)	14,210,526	3.42%
Mr. Gong Xionghui	Interest of a controlled corporation (<i>Note iii</i>)	11,368,421	2.74%
Ms. Lu Jiahua	Interest of a controlled corporation (<i>Note iv</i>)	8,526,316	2.05%
Mr. Ho Wan Ming	Interest of a controlled corporation (<i>Note v</i>)	7,105,263	1.71%
Mr. Lin Zhigang	Interest of a controlled corporation (<i>Note vi</i>)	5,684,211	1.37%

Note:

- (i) These shares are registered in the name of and beneficially owned by Marietta Limited, the entire issued share capital of which is registered in the name of and beneficially owned by Mr. Yang Yirong. Under the SFO, Mr. Yang Yirong is deemed to be interested in all the shares held by Marietta Limited.
- (ii) These shares are registered in the name of and beneficially owned by Rowe Investments Ltd., the entire issued share capital of which is registered in the name of and beneficially owned by Mr. Yang Chiming. Under the SFO, Mr. Yang Chiming is deemed to be interested in all the shares held by Rowe Investments Ltd.
- (iii) These shares are registered in the name of and beneficially owned by Dragon Kingdom Investment Limited, the entire issued share capital of which is registered in the name of and beneficially owned by Mr. Gong Xionghui. Under the SFO, Mr. Gong Xionghui is deemed to be interested in all the shares held by Dragon Kingdom Investment Limited.



OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

(a) Interest in ordinary shares of HK\$0.10 each of the Company *(Continued)*

Note:

- (iv) These shares are registered in the name of and beneficially owned by Sunwill Investments Limited, the entire issued share capital of which is registered in the name of and beneficially owned by Ms. Lu Jiahua. Under the SFO, Ms. Lu Jiahua is deemed to be interested in all the shares held by Sunwill Investments Limited.
- (v) These shares are registered in the name of and beneficially owned by Veazey Finance Corp., the entire issued share capital of which is registered in the name of and beneficially owned by Mr. Ho Wan Ming. Under the SFO, Mr. Ho Wan Ming is deemed to be interested in all the shares held by Veazey Finance Corp.
- (vi) These shares are registered in the name of and beneficially owned by Active Wealth Limited, the entire issued share capital of which is registered in the name of and beneficially owned by Mr. Lin Zhigang. Under the SFO, Mr. Lin Zhigang is deemed to be interested in all the shares held by Active Wealth Limited.

(b) Interest in share options

Name of Directors	Capacity	Number of options held	Number of underlying shares
Mr. Gong Xionghui	Beneficial owner	4,000,000	4,000,000
Ms. Lu Jiahua	Beneficial owner	3,500,000	3,500,000
Mr. Ho Wan Ming	Beneficial owner	2,000,000	2,000,000
Mr. Lin Zhigang	Beneficial owner	3,000,000	3,000,000
Mr. Yang Chiming	Beneficial owner	800,000	800,000
Mr. Yau Fook Chuen	Beneficial owner	400,000	400,000
Mr. Wong Yik Chung, John	Beneficial owner	400,000	400,000
Dr. Zheng Lansun	Beneficial owner	400,000	400,000

Other than as disclosed above, neither the Directors nor the chief executive, nor any of its associates, had the interests or short positions in the shares, underlying shares, or debentures of the Company or its associated corporation as at 30th June 2004.

INTEREST AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30th June 2004, the interests and short positions of the persons, other than the Directors and the chief executive of the Company, in the shares and underlying shares of the Company, as notified to the Company pursuant to Division 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Interest in ordinary shares of HK\$0.10 each of the Company

Name	Capacity	Number of issued ordinary shares held	Percentage of the Company's issued share capital
Marietta Limited	Beneficial owner (<i>Note 1</i>)	193,263,158	46.57%
Neon Liberty Capital Management, LLC	Investment manager	33,194,000	8.00%
UBS AG	Person having a security interest in shares	27,694,000	6.67%
New Margin Venture Capital Co. Ltd.	Beneficial owner	21,315,789	5.14%
Sino-Alliance International, Ltd.	Interest of a controlled corporation (<i>Note 2</i>)	21,315,789	5.14%
Shanghai Alliance Investment, Ltd.	Interest of a controlled corporation (<i>Note 2</i>)	21,315,789	5.14%

Notes:

- These shares are registered in the name of and beneficially owned by Marietta Limited, the entire issued share capital of which is registered in the name of and beneficially owned by Mr. Yang Yirong, the Chairman and President of the Company.
- These shares are registered in the name of and beneficially owned by New Margin Venture Capital Co. Ltd., the entire issued share capital of which is beneficially owned by Sino-Alliance International, Ltd. which is wholly owned by Shanghai Alliance Investment, Ltd., an investment vehicle of Shanghai Municipal Government. Under the SFO, Sino-Alliance International, Ltd. and Shanghai Alliance Investment, Ltd. are deemed to be interested in all the shares held by New Margin Venture Capital Co. Ltd.

Other than as disclosed above, the Company has not been notified by any persons, other than the Directors and the chief executive of the Company, who had interest or short positions in the shares or underlying shares of the Company as at 30th June 2004.



OTHER INFORMATION

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the headings "Share options" and "Directors' and Chief Executive's interests and short positions in shares, underlying shares and debentures" above, at no time during the period was the Company, or any of its subsidiaries, an party to any arrangements to enable the Directors or the chief executive of the Company to acquire benefits by means of the acquisition of the shares in, or debentures of, the Company or other body corporate and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries purchases, sold or redeemed any of the Company's listed shares during the six months ended 30th June 2004.

CODE OF BEST PRACTICE AND MODEL CODES

None of the Directors is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules on the Stock Exchange at any time during the six months ended 30th June 2004.

The Company has adopted a code of conduct with standards not lower than those prescribed under the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules for securities transactions by Directors. All Directors have complied with the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules and its code of conduct regarding securities transactions by Directors.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management in relation to the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed accounts for the six months ended 30th June 2004.

By order of the Board
YANG YIRONG
Chairman & President

Hong Kong, 9th September 2004



CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30TH JUNE 2004

The Board of Directors of the Company is pleased to announce that the unaudited interim results of the Group for the six months ended 30th June 2004 together with the unaudited comparative figures for the corresponding period in 2003 are as follows:

	Note	Six months ended 30th June	
		2004 (Unaudited) RMB'000	2003 (Unaudited) RMB'000
Turnover	3	127,759	93,188
Cost of sales		(73,982)	(58,582)
Gross profit		53,777	34,606
Other revenues	3	321	408
Selling and distribution expenses		(3,516)	(4,307)
General and administrative expenses		(11,908)	(7,653)
Operating profit	4	38,674	23,054
Finance costs	5	(4,681)	(3,362)
Profit before taxation		33,993	19,692
Taxation	6	(2,515)	–
Profit attributable to shareholders		31,478	19,692
Dividends	7	–	7,600
Earnings per share			
Basic	8	RMB8.5 cents	RMB6.6 cents



CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE 2004

	Note	30th June 2004 (Unaudited) RMB'000	31st December 2003 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	9	118,497	99,440
Goodwill	9	115	258
Product development costs	9	15,162	15,597
Investment securities		400	400
		<u>134,174</u>	<u>115,695</u>
Current assets			
Inventories		27,600	21,485
Trade and bills receivables	10	67,833	70,618
Prepayments and other receivables		19,412	10,172
Cash and bank deposits		224,927	65,880
		<u>339,772</u>	<u>168,155</u>
Current liabilities			
Bank borrowings – due within one year	11	(76,571)	(62,600)
Other borrowings – due within one year	12	(31,170)	(30,900)
Due to a director		–	(2,136)
Trade and bills payables	13	(16,406)	(12,842)
Accruals and other payables		(16,906)	(18,701)
Tax payable		(1,774)	–
Deferred income on government grants, current portion		(114)	(114)
		<u>(142,941)</u>	<u>(127,293)</u>
Net current assets		<u>196,831</u>	<u>40,862</u>
Total assets less current liabilities		<u>331,005</u>	<u>156,557</u>
Non-current liabilities			
Bank borrowings – due after one year	11	(24,000)	(28,000)
Other borrowings – due after one year	12	(5,000)	(5,270)
Convertible bonds	14	(14,054)	(37,151)
Deferred income on government grants		(191)	(248)
		<u>(43,245)</u>	<u>(70,669)</u>
		<u>287,760</u>	<u>85,888</u>
Financed by:			
Share capital	15	43,990	101
Reserves	16	243,470	85,787
		<u>287,460</u>	<u>85,888</u>
Minority interests		300	–
		<u>287,760</u>	<u>85,888</u>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE 2004

	Six months ended 30th June	
	2004 (Unaudited) RMB'000	2003 (Unaudited) RMB'000
Total equity at 1st January	85,888	42,272
Capital reserve arising on issue of shares of EcoGreen Fine Chemicals Limited before Reorganisation	42	–
Premium arising on the redemption of the convertible bonds	23,055	–
Issue of new shares of the Company in connection with the listing of the Company's shares on the Stock Exchange	168,222	–
Share issuance costs	(21,225)	(1,550)
Profit attributable to shareholders	31,478	19,692
Dividend paid	–	(7,600)
Total equity at 30th June	287,460	52,814



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2004

	Six months ended 30th June	
	2004 (Unaudited) RMB'000	2003 (Unaudited) RMB'000
Net cash inflow from operating activities	26,243	10,393
Net cash (used in)/from investing activities	(22,028)	9,921
Net cash from financing activities	154,832	16,000
Increase in cash and cash equivalents	159,047	36,314
Cash and cash equivalents at 1st January	65,880	11,718
Cash and cash equivalents at 30th June, representing cash and bank balances	224,927	48,032



NOTES TO THE CONDENSED ACCOUNTS

1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 3rd March 2003 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands. Its shares have been listed on the Main Board of the Stock Exchange since 9th March 2004 ("the Listing").

On 16th February 2004, the Company acquired the entire issued share capital of EcoGreen Fine Chemicals Limited ("EFCL"), a company incorporated in the British Virgin Islands, through a share exchange ("the Reorganisation") and consequently became the holding company of the group ("the Group"), as more fully explained in the paragraph headed "Group Reorganisation" in Appendix V to the prospectus of the Company dated 27th February 2004.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, in accordance with the Statement of Standard Accounting Practice ("SSAP") 27 "Accounting for group reconstructions" issued by the Hong Kong Institute of Certified Public Accountants ("the HKICPA"), the unaudited consolidated condensed accounts of the Group for the six months ended 30th June 2004 and for the same period in the corresponding year have been prepared on the merger basis as if the Company had always been the holding company of the Group.

These unaudited consolidated condensed accounts are prepared in accordance with SSAP 25 "Interim Financial Reporting" issued by the HKICPA and with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules").

These condensed accounts should be read in conjunction with the 2003 annual accounts.

2. PRINCIPAL ACCOUNTING POLICIES

These condensed accounts have been prepared under the historical cost convention and the accounting policies adopted are consistent with those followed in the preparation of the Group's annual accounts for the year ended 31st December 2003.



NOTES TO THE CONDENSED ACCOUNTS

3. TURNOVER, REVENUES AND SEGMENT INFORMATION

(a) Turnover and revenues

The Group is principally engaged in the production of fine chemicals from natural resources for use in aroma chemicals and pharmaceutical products. The Group's turnover and revenues were as follows:

	Six months ended 30th June	
	2004 (Unaudited) RMB'000	2003 (Unaudited) RMB'000
Turnover		
Sale of merchandise (net of value-added tax)	127,759	93,188
Other revenues		
Interest income from:		
– bank deposits	264	88
– loan receivable	–	320
Amortisation of deferred income on government grants	57	–
	321	408
Total revenues	128,080	93,596



NOTES TO THE CONDENSED ACCOUNTS

3. TURNOVER, REVENUES AND SEGMENT INFORMATION *(Continued)*

(b) Segment information

Business segment

No segment information by business segment is presented as the Group operates in one business segment – manufacturing and selling of fine chemicals.

Geographical segment

An analysis of the Group's turnover and segment results by geographical location, which is determined based on the destination of shipment/delivery of goods, is as follows:

	Turnover Six months ended 30th June		Segment results Six months ended 30th June	
	2004 (Unaudited) RMB'000	2003 (Unaudited) RMB'000	2004 (Unaudited) RMB'000	2003 (Unaudited) RMB'000
Mainland China	110,238	74,367	38,247	21,510
Hong Kong	3,136	12,003	560	2,143
Other territories	14,385	6,818	4,008	1,319
	127,759	93,188	42,815	24,972
Interest income			264	88
Unallocated corporate expenses			(4,405)	(2,006)
Profit from operations			38,674	23,054

The Group's assets amounting to RMB69,814,000 and RMB404,132,000 were located in Hong Kong and in Mainland China, respectively. No geographical analysis of liabilities, capital expenditures, depreciation and amortisation is presented as substantially all of the Group's capital assets and liabilities were located in Mainland China.



NOTES TO THE CONDENSED ACCOUNTS

4. OPERATING PROFIT

Operating profit is stated after charging and crediting the following:

	Six months ended 30th June	
	2004 (Unaudited) RMB'000	2003 (Unaudited) RMB'000
Charging		
Employment costs	5,060	4,026
Less: Amount included in product development cost	(360)	(235)
	4,700	3,791
Depreciation of property, plant and equipment	2,273	2,084
Less: Amount included in product development cost	(96)	–
	2,177	2,084
Amortisation of:		
– goodwill (included in general and administrative expenses)	163	163
– product development cost (included in general and administrative expenses)	1,133	1,072
Operating leases rental in respect of rented premises	606	180
Crediting		
Amortisation of:		
– negative goodwill (included in general and administrative expenses)	20	20
– deferred income on government grants (included in other revenues)	57	–



NOTES TO THE CONDENSED ACCOUNTS

5. FINANCE COSTS

	Six months ended 30th June	
	2004 (Unaudited) RMB'000	2003 (Unaudited) RMB'000
Interest expense on		
– bank borrowings wholly repayable within five years	2,594	2,015
– government loans wholly repayable within five years	64	64
– convertible bonds	205	556
	<hr/>	<hr/>
	2,863	2,635
Amortisation and write-off of convertible bonds issuance costs	1,818	727
	<hr/>	<hr/>
	4,681	3,362
	<hr/>	<hr/>

23

6. TAXATION

	Six months ended 30th June	
	2004 (Unaudited) RMB'000	2003 (Unaudited) RMB'000
Current taxation		
– Mainland China enterprise income tax	2,515	–
	<hr/>	<hr/>

Notes:

(i) Hong Kong profits tax

No Hong Kong profits tax was provided as the Group had no assessable profit arising in or derived from Hong Kong.

(ii) Mainland China enterprise income tax

The subsidiaries established in Xiamen, Fujian Province, Mainland China are subject to Mainland China enterprise income tax at a rate of 15% (2003: 15%). In year 2002, Xiamen Sinotek Enterprise Development Co., Ltd. ("Xiamen Sinotek"), a subsidiary, transformed from a domestic enterprise to a wholly foreign owned enterprise and obtained exemption from Mainland China Tax Bureau for payment of enterprise income tax for two years starting from the coming first year of profitable operations, followed by a 50% reduction in enterprise income tax for the next three years. Accordingly, Xiamen Sinotek was subject to Mainland China enterprise income tax at a concessive tax rate of 7.5% for the period ended 30th June 2004.



NOTES TO THE CONDENSED ACCOUNTS

6. TAXATION (Continued)

Notes: (Continued)

(ii) Mainland China enterprise income tax (Continued)

In August 2003, Xiamen Doingcom Chemical Co., Ltd. was accredited as a New High Technology Enterprise and accordingly is exempted from payment of enterprise income tax for two years starting from the first year of profitable operations, followed by a 50% reduction in enterprise income tax for the next three years.

(iii) Overseas income taxes

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

The Company's subsidiaries established in the British Virgin Islands were incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from payment of the British Virgin Islands income tax.

(iv) Mainland China value-added tax

The subsidiaries established in Mainland China are subject to Mainland China value-added tax ("VAT") at 17% of revenue from sale of goods in Mainland China and 4% (2003: 2%) of revenue from sale of goods outside Mainland China. Input VAT paid on purchases can be used to offset output VAT levied on sales to determine the net VAT recoverable/payable.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the relevant enterprise income tax rate in Mainland China, where substantially all of the Group's profit was earned, and the reconciliation was as follows:

	Six months ended 30th June	
	2004	2003
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit before taxation	33,993	19,692
Calculated at Mainland China enterprise income tax rate of 15%	5,099	2,954
Effect of		
– tax exemption	(3,047)	(3,849)
– tax losses not probable to be utilised in the foreseeable future and not recognised	1,234	876
– utilisation of previously unrecognised tax losses	(791)	–
– others	20	19
Taxation	2,515	–



NOTES TO THE CONDENSED ACCOUNTS

6. TAXATION *(Continued)*

As at 30th June 2004, the Group has unrecognised tax losses of approximately RMB28,015,000 (30th June 2003: RMB26,297,000), which can be carried forward to offset against future taxable income. Included in the tax loss as at 30th June 2004 was a loss of RMB3,020,000 (30th June 2003: RMB12,763,000) that will expire throughout the period from 2004 to 2008, while other losses may be carried forward indefinitely. The deferred tax benefit of such tax losses was not recognised as it was not probable that future taxable profit will be available against which the unutilised tax losses can be utilised.

7. DIVIDENDS

	Six months ended 30th June	
	2004 (Unaudited) RMB'000	2003 (Unaudited) RMB'000
Interim dividend paid <i>(Note)</i>	—	7,600

The Directors do not recommend the payment of an interim dividend for the period ended 30th June 2004 (six months ended 30th June 2003: RMB nil).

Note: The dividends for the six months ended 30th June 2003 were paid by a subsidiary out of its retained earnings to its then shareholders before the Reorganisation.

8. EARNINGS PER SHARE

The calculations of basic earnings per share are based on the Group's profit attributable to shareholders of approximately RMB31,478,000 (six months ended 30th June 2003: approximately RMB19,692,000) and weighted average number of 372,033,000 (2003: 300,000,000) shares in issue during the period. 300,000,000 ordinary shares are deemed to be in issue during six months ended 30th June 2003 and the period from 1st January 2004 to 16th February 2004 (date of Reorganisation) as if 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 15 had been in existence throughout the period.

No diluted earnings per share has been presented because the exercise price of the Company's share options was higher than the average market price for the Company's shares during the period.



NOTES TO THE CONDENSED ACCOUNTS

9. CAPITAL EXPENDITURE

	Goodwill <i>RMB'000</i>	Product development costs <i>RMB'000</i>	Property, plant and equipment <i>RMB'000</i>
Opening net book amount as at 1st January 2004	258	15,597	99,440
Additions	–	698	21,330
Depreciation/amortisation charge	(143)	(1,133)	(2,273)
	<hr/>	<hr/>	<hr/>
Closing net book amount as at 30th June 2004	115	15,162	118,497

During the period, the Group incurred costs for construction in progress of approximately RMB14 million and land and building of approximately RMB4 million, acquired plant and machinery at a cost of approximately RMB1 million and motor vehicles at a cost of approximately RMB2 million for the purpose of expanding the Group's business.

10. TRADE AND BILLS RECEIVABLES

The credit period granted by the Group to its customers is generally around 60 to 90 days. The aging analysis of trade and bills receivables is as follows:

	30th June 2004 (Unaudited) RMB'000	31st December 2003 (Audited) RMB'000
0 to 30 days	28,143	33,002
31 to 60 days	23,561	23,962
61 to 90 days	14,649	13,558
91 to 180 days	3,767	3,386
181 to 365 days	915	152
Over 365 days	121	–
	<hr/>	<hr/>
	71,156	74,060
Less: Provision for bad and doubtful debts	(3,323)	(3,442)
	<hr/>	<hr/>
	67,833	70,618

11. BANK BORROWINGS

Details of the bank borrowings as follows:

	30th June 2004 (Unaudited) RMB'000	31st December 2003 (Audited) RMB'000
Short-term bank loans	68,571	54,600
Long-term bank loans	32,000	36,000
	100,571	90,600
Analysed as:		
Amounts repayable within a period:		
– not exceeding one year	76,571	62,600
– more than one year but not exceeding two years	24,000	28,000
	100,571	90,600
Less: Amounts repayable within one year included under current liabilities	(76,571)	(62,600)
Amounts repayable after one year included under non-current liabilities	24,000	28,000

As at 30th June 2004, the Group's bank borrowings were secured by pledge of certain of the Group's land and buildings and cash and bank deposits of approximately RMB40.6 million and approximately RMB31.8 million, respectively (31st December 2003: approximately RMB37.2 million and RMB nil, respectively).



NOTES TO CONDENSED ACCOUNTS

12. OTHER BORROWINGS

	30th June 2004 (Unaudited) RMB'000	31st December 2003 (Audited) RMB'000
Government loans	36,170	36,170
Analysed as:		
Amounts repayable within a period:		
– not exceeding one year	31,170	30,900
– more than one year but not exceeding two years	–	270
– more than two years but not exceeding five years	–	–
– more than five years	5,000	5,000
	36,170	36,170
Less: Amounts repayable within one year included under current liabilities	(31,170)	(30,900)
Amounts repayable after one year included under non-current liabilities	5,000	5,270

13. TRADE AND BILLS PAYABLE

The aging analysis of trade and bills payable is as follows:

	30th June 2004 (Unaudited) RMB'000	31st December 2003 (Audited) RMB'000
0 to 30 days	7,956	4,806
31 to 60 days	3,030	2,256
61 to 90 days	3,530	2,633
91 to 180 days	1,409	2,565
181 to 365 days	134	475
Over 365 days	347	107
	16,406	12,842

14. CONVERTIBLE BONDS

On 10th February 2004, the convertible bonds holder (“CB Holder”) exercised its conversion rights by converting RMB18,575,500 (equivalent of US\$2,250,000) of convertible bonds into 5,000 shares of US\$1 each of EFCL, representing approximately 5.3% interest in EFCL. An aggregate of 15,789,474 shares of the Company (“Relevant Conversion Shares”) were allotted and issued to the CB Holder prior to the Listing were attributable to the CB Holder’s interest in those 5,000 EFCL’s shares.

In addition, the Company issued the replacement convertible bonds (“the Replacement CB”) in the principal amount of RMB18,575,500 (equivalent of US\$2,250,000) to replace and exchange for the remaining outstanding convertible bonds. The terms of the Replacement CB are substantially the same as that of the old convertible bonds, except that the Replacement CB are only convertible into shares of the Company instead of shares of EFCL.

Pursuant to the conditions of the convertible bonds, the conversion price of the Relevant Conversion Shares would be adjusted as if they had been issued at HK\$1.38, being the price offered by the Company for subscription of its shares in its initial public offering in February 2004. Accordingly, the CB Holder agreed that a principal amount of RMB4,521,000 (equivalent of US\$547,647) of the outstanding Replacement CB (“the Redemption Amount”) be redeemed and be utilized to settle the price adjustment of RMB4,521,000 (equivalent of US\$547,647). Thereafter, the principal amount of the Replacement CB outstanding is RMB14,054,000 (equivalent of US\$1,702,000).



NOTES TO CONDENSED ACCOUNTS

15. SHARE CAPITAL

Movements during the period ended 30th June 2004 were:

	Note	Number of shares (Audited) RMB'000	Nominal value (Audited) RMB'000
Ordinary shares of HK\$0.1 each			
<i>Authorised:</i>			
On incorporation of the Company and at 1st January 2004	(i)	1,000,000	106
Increase in authorised share capital	(iii)	1,999,000,000	211,894
At 30th June 2004		<u>2,000,000,000</u>	<u>212,000</u>
<i>Issued and fully paid:</i>			
Allotted and issued nil paid	(ii)		
– On 24th March 2003		1	–
– Issue of shares on 28th October 2003		449,999	–
– At 1st January 2004		450,000	–
– Issue of shares on 10th February 2004		25,000	–
On acquisition of EFCL			
– Nil paid shares credited as fully paid	(ii)(a)	–	50
– Consideration shares issued	(ii)(b)	475,000	51
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the issue of new shares of the Company in connection with the Listing	(iv)	299,050,000	–
Share capital of the Company at 16th February 2004 and proforma share capital of the Group at 1st January 2003 and 31st December 2003		300,000,000	101
New issue of shares	(v)	115,000,000	12,190
Capitalisation of share premium account	(iv)	–	31,699
At 30th June 2004		<u>415,000,000</u>	<u>43,990</u>



15. SHARE CAPITAL *(Continued)*

Notes:

- (i) On 3rd March 2003 (date of incorporation) and at 1st January 2004, 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, 28th October 2003 and 10th February 2004, 1 share, 449,999 shares and 25,000 shares of the Company were allotted and issued as nil paid, respectively. 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 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 EFCL in connection with the Reorganisation (see Note 1).
- (iii) 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.
- (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 the Listing as described in (v) below.
- (v) 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 the Listing, and raised net proceeds of approximately RMB143,140,000 (equivalent of HK135,038,000).



NOTES TO CONDENSED ACCOUNTS

16. RESERVES

	Share premium <i>RMB'000</i>	Special reserve <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Contributed surplus <i>RMB'000</i>	Statutory reserves <i>RMB'000</i>	Share issuance costs <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>
Audited								
At 1st January 2003	-	-	643	9,500	4,750	(393)	27,671	42,171
Share issuance costs	-	-	-	-	-	(1,550)	-	(1,550)
Profit attributable to shareholders	-	-	-	-	-	-	19,692	19,692
Transfer	-	-	-	-	5,000	-	(5,000)	-
Dividends	-	-	-	-	-	-	(7,600)	(7,600)
At 30th June 2003	-	-	643	9,500	9,750	(1,943)	34,763	52,713
Unaudited								
At 1st January 2004	-	-	643	9,500	9,750	(3,857)	69,751	85,787
Issue of EFCL's shares before Reorganisation	-	-	42	-	-	-	-	42
Premium arising on the redemption of the convertible bonds	-	23,055	-	-	-	-	-	23,055
Premium arising on issue of new shares of the Company in connection with the Listing	156,032	-	-	-	-	-	-	156,032
Share issuance costs	-	-	-	-	-	(21,225)	-	(21,225)
Transfer of share issuance costs to share premium account	(25,082)	-	-	-	-	25,082	-	-
Capitalisation issue to pay up in full of 299,050,000 shares of the Company	(31,699)	-	-	-	-	-	-	(31,699)
Profit attributable to shareholders	-	-	-	-	-	-	31,478	31,478
At 30th June 2004	99,251	23,055	685	9,500	9,750	-	101,229	243,470

16. RESERVES *(Continued)*

The special reserve of the Company represents the sum of the share premium of EFCL which had been transferred to special reserve upon the Reorganisation amounting to approximately RMB18,534,000 and the premium arising on the redemption of the Company's convertible bonds.

17. CONTINGENT LIABILITIES

	30th June 2004 (Unaudited) RMB'000	31st December 2003 (Audited) RMB'000
Guarantees for bank loans of an unrelated third party	—	1,500

During the six months ended 30th June 2004, the guarantees for bank loans of an unrelated party were released.

18. CAPITAL COMMITMENTS

	30th June 2004 (Unaudited) RMB'000	31st December 2003 (Audited) RMB'000
Authorised and contracted but not provided for:		
– construction-in-progress and property, plant and equipment	47,833	6,950
– product development cost	5,000	5,000
	52,833	11,950



NOTES TO CONDENSED ACCOUNTS

19. RELATED PARTY TRANSACTIONS

(a) Significant transaction with related parties was:

A personal guarantee amounting to approximately RMB25,000 (31st December 2003: RMB178,000) was provided by Mr. Ho Wan Ming to a landlord in respect of a rental agreement entered into by a wholly-owned subsidiary. Mr. Ho Wan Ming is an executive director and an indirect shareholder of the Company. In July 2004, such personal guarantee was released upon the expiry of the relevant rental agreement.

(b) Amount due to a director was:

	30th June 2004 (Unaudited) RMB'000	31st December 2003 (Audited) RMB'000
Mr. Yang Yirong, an executive director	–	2,136

Maximum balance of the amount due from a director outstanding during the period was:

	Six months ended 30th June	
	2004 (Unaudited) RMB'000	2003 (Unaudited) RMB'000
Mr. Yang Yirong, an executive director	–	27,511

Balance with a director was unsecured, non-interest bearing and with no pre-determined repayment terms.