



Results

In 2004, EcoGreen Fine Chemicals Group Limited ("the Company") and its subsidiaries (collectively "EcoGreen" or "the Group") recorded sustainable growth in terms of business performance. Turnover reached RMB276.5 million, representing an increase of 23.9% over the previous year. Profit attributable to shareholders rose to RMB64.1 million, representing a year-on-year increase of RMB9.4 million or 17.2% compared to last year. Basic earnings per share were approximately RMB16 cents. Return on average assets and return on average equity, (based on the adjusted assets and adjusted equity as at 1st January 2004 as if the proceeds raised from the initial public offering had been in existence throughout the year), were 13.9% and 23.2%, respectively.

Dividends

In return for the continued support of our shareholders, the directors of the Company ("the Directors") have resolved to recommend the Company's first dividend payment upon its successful listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9th March 2004. At the forthcoming annual general meeting to be held on Wednesday, 18th May 2005, the Directors will propose a final dividend of HK1.75 cents (equivalent to approximately RMB1.855

cents) per share, payable on 10th June 2005 to shareholders with their names listed on the register of members of the Company on 18th May 2005.

Successful Listing in HK

2004 was a year of remarkable achievements and promising rewards in terms of the development history of EcoGreen. Since its inception in 1994, EcoGreen has grown from a local fine chemicals company to a listed international fine chemicals company. The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 9th March 2004 ("the Listing"), and this year is also the 10th anniversary of the Company's establishment.

The Listing is one of the milestone that represents the Group's success in the fine chemicals industry. As a result of the higher brand awareness brought forth by the Listing, reassurance among the Group's customers and investors has been enhanced. In addition, the Listing has established a concrete platform for the Group to extend its reach to the international capital market, from which it can raise funds for the future growth.



History and background

"Green Chemistry" has been the Group's underlying philosophy since its inception in 1994. By using botanic essential oils as raw materials and leveraging on the Group's self-developed organic chemical production technologies, the Group has been engaging in the production and sales of natural fine chemical products. By relying on experiences gained through 10 years of operations, the Group produces more than 30 types of fine chemical products that include functional ingredients and intermediates for local and international players in the pharmaceutical, healthcare and personal care industries.

Business Review

Despite the year under review was a challenging year, the Group was rewarded with sustainable growth in turnover and profit attributable to shareholders. Our objectives to create values and offer high quality fine chemical products to our customers proved to be successful in driving the growth of the Group. While the successful Listing of the Group has enhanced the brandname "EcoGreen", the well established brandname "Doingcom" has also facilitated in the Group's efforts to build up more distribution channels and develop overseas markets. The Group's turnover recorded an increase of 23.9% to RMB276.5 million.

Production

The Group's technology advancement and productivity enhancement of the production facilities at the existing Haicang Plant were completed in October 2004 as scheduled. The advancement added important dimensions to the product mix whereas the expanded production facilities enhanced the Group's annual processing volume of botanic essential oils from 9,500 metric tonnes to

11,000 metric tonnes. As the increased capacity was only accomplished near the end of 2004 and the adjustment and test run for additional production facilities was needed, its contribution to the Group's results in 2004 was not obvious. It is anticipated that its contribution to the Group's results will be much enhanced in the coming year.

Research and Development ("R&D")

During the year, the Group strategically entered into a conditional sale and purchase agreement for the acquisition of the entire equity interest in Shanghai Fine Chemicals Company Limited ("SFC"), with the aim to further strengthen its R&D capability. SFC is principally engaged in the R&D, transfer of production technologies and the provision of other technological services of chiral pharmaceutical raw materials and pharmaceutical intermediates. It is recognized as a High and New Technology Enterprise in Xuhui District, Shanghai. More than half of the staff of SFC are former R&D experts from the "Shanghai Institute of Organic Chemistry, the Chinese Academy of Sciences" (中國科學院上海有機化學研究所), including experienced researchers and senior engineers with extensive experience in the R&D of organic fine chemicals. By incorporating the production technologies for chiral pharmaceutical raw materials and pharmaceutical intermediaries and other fine chemical products developed and owned by SFC, the Group would be able to capitalize on SFC's existing R&D result, goodwill and production resources of its co-operative plant without incurring additional and significant R&D costs. In addition, the acquisition would also enable the Group to broaden its chiral pharmaceutical raw materials and pharmaceutical intermediates products portfolio. The Group will use SFC as the technical platform for its rapid expansion of chiral pharmaceutical raw materials and pharmaceutical intermediates businesses in the near future.



Management

The Group was pleased to announce its appointment of Mr. Jose Antonio Rodriguez Gascon ("Mr. Jose") as the Operations Consultant of the Group during the year under review. Mr. Jose has over 30 years' extensive experience in the fine chemicals industry, especially in aroma chemicals. He has worked for several renowned fine chemicals corporations in Europe and the U.S., where he assumed key positions in the business department as president and general manager. Mr. Jose is responsible for the Group's product development planning and the collaboration with foreign corporations. He also advises on the operational management and sales strategy of the Group. Mr. Jose has made efforts to establish business relationships with overseas fine chemicals corporations during the year under review, and is responsible for, among others, the Group's collaboration with a major overseas fine chemicals corporation. With Mr. Jose's expertise and reputation in the industry, it is believed that the Group will embrace more overseas business opportunities in the future.

Sales and Marketing Network

During the year under review, the Group actively worked on the establishment of a logistics support centre in the Netherlands, Europe. This centre is currently undergoing registration processes and is expected to commence operations in the first half of 2005. It is believed that the centre will facilitate in the exploration of overseas markets and increase the proportion of direct sales of the Group's products to these markets, and will also be treated as a platform of collecting overseas market information and technical information for the Group.

Business Outlook

In the future, the Group will continue to adopt "Business specialization and product diversification" as its development direction. The Group will exploit the PRC's rich natural resources for its solid foundation to support its development and take the advantage of its existing sales network and high-tech platform for fine chemical production for its business expansion.

The Group will continue to implement its successful two-pronged expansion plan and deploy more resources to develop technologies in further processing of chiral pharmaceutical raw materials, pharmaceutical intermediates, and natural pharmaceutical raw materials such as high value Chinese pharmaceutical herbs, for the purpose of producing high value-added pharmaceutical raw materials and pharmaceutical intermediates products. Moreover, as the oil prices have been high, the demand of natural products processed aroma chemicals was rapidly increased, which increase the Group's actual processing volume of botanic essential oils. Meanwhile, the Group will continue to actively explore strategic alliance opportunities with suppliers of natural resources in order to further minimize operating costs.

The planning and design for the construction of a new plant on a parcel of land with a site area of approximately 16,000 sq. m., which is in close proximity to the Haicang Plant, has been completed. Some orders for specified equipments have already placed. It is expected that the construction will commence in the first half of 2005 and completed in phases in the first half of 2006. The new plant will be equipped with advanced production lines, raw materials and pharmaceuticals production workshop which meets the GMP standard, environmental-friendly system and a series of storage tanks. The new plant will be able to produce over 20 kinds of new fine chemicals and raw materials of pharmaceuticals, which cater the needs for the future market. After the completion of the



new plant construction, the Group expects that the overall annual processing volume of botanic essential oils will reach 20,000 metric tonnes after its commencement of operation.

The Group had continued its R&D technological advancement so as to provide new and diversified products, to achieve economies of scale and to further strengthen its overall competitiveness in the fine chemicals market. The signing of a conditional sale and purchase agreement for the acquisition of SFC during the year was expected to create synergies for the Group's R&D strength. Besides, the Group will continue to work with leading academic and research institutes on R&D under the model of "Industry-University-Research Partnership" in order to stay ahead of the competition.

Since the Group's major raw materials for production are natural recycled resources, therefore the Group is optimistic of the business environment and its prospects in the coming year. Nevertheless, the Group will continue to focus on measures to control operating expenses, review the remuneration policy of staff, institute effective and efficient management with appropriate incentives, streamline the organization and further enhance the productivity of the production facilities, so as to achieve profitable growth.

Similar to the acquisition of SFC during the year under review, the Group will further explore other potential merger and acquisition opportunities as it strives to strengthen and develop its fine chemicals related businesses, with the aim to achieve better synergies and create the highest economies of scale. At the same time, the Group will continue to identify potential cooperation and strategic alliance opportunities with synergetic values in order to accelerate its fine chemicals business development. With the Group's proactive, yet prudent and

pragmatic expansion programmes, we look forward to achieving satisfactory returns for our shareholders in the coming years.

Acknowledgment

Year 2004 is not only the milestone of the Company going public, but it is a stepping-stone for the Group as it strives to become one of the leading manufacturers in the global natural fine chemicals industry. In the coming year, the Group will face more opportunities and challenges and will endeavour to maximize returns to our shareholders. On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers, suppliers and staff. Their continuous trust in and support of the Group are essential to our growth and success.

Yang Yirong

Chairman

Hong Kong, 13th April 2005