

RESULTS

In 2005, 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 RMB384.4 million, representing an increase of 39% over the previous year. Profit for the year rose to RMB71.1 million, representing a year-on-year increase of RMB9.7 million or 16% compared to last year. Basic earnings per share were approximately RMB17 cents. Return on average assets and return on average equity were 12.5% and 18.6% respectively.

FINAL DIVIDEND

The directors of the Company (the "Directors") have resolved to recommend a final dividend of HK1.2 cents (2004: HK1.75 cents) per share for the year ended 31 December 2005 to be payable on 2 June 2006 to shareholders with their names listed on the register of members of the Company on 25 May 2006. Together with the interim dividend of HK0.8 cents (2004: nil) per share, this will bring the total dividend distribution for the year to HK2 cents per share (2004: HK1.75 cents).

BUSINESS REVIEW

Despite the challenges and excitements in the year under review, the year of 2005 was definitely an encouraging year to the Group, both turnover and net profit had achieved a two digit growth, in which the growth of the previous years have maintained. The achievements of the Group were mainly attributable to the capability of capturing timely business opportunities, thus bringing various business plans into realization. Through implementation of such plans, the Group's productivity, sales services, effectiveness of research and net development, overall financial position were enhanced, paving a solid foundation for the Group's long term development.

During the year under review, the market demand for the Group's products continuously remained strong. Pursuant to the completion of the Group's technology advancement of the production facilities at its Phase I, Haicang Plant, Xiamen in October 2004, the Group's annual processing capacity of botanic essential oil surged from 9,500 metric tonnes to 11,000 metric tonnes. In view of the increasing demand for the products, the Group had decided to commence the Phase II expansion at its Haicang Plant six months before its scheduled time. As a result, the annual processing capacity of botanic essential oil has substantially increased from 11,000 metric tonnes in October 2005 to 16,000 metric tonnes. Having considered that Phase II expansion of processing capacity could only cater the demand of the customers for a short period of time, the Group has commenced the Phase III new factory construction project to cater the different needs of its customers.

In view of the high recognition on the Group's products from international peers, during the year under review, the Group has successfully secured a substantial number of orders from the multinational flavour and fragrance manufacturers, the Group's clientele base has thus broadened from downstream customers to major household and personal care product manufacturers. The expansion in client base has further proved the success of the Group's emphases on product quality and the characteristic of "daily necessities" of the product itself. In addition, to alleviate the difficulties of quality control and logistics operations faced by the major customers in purchasing the non-Group's manufactured aroma chemical products in the PRC, the Group has successfully used its self-manufactured products as its integrated marketing focus through which to extend into new business operation in distribution so as to provide the customers with one-stop purchasing services. As such, the Group has gradually strengthened its position as a fine chemicals integrator of the industry and has developed huge business opportunities. Its operation scale has increased accordingly.

The Group has completed the strategic acquisition of the entire shareholdings of Shanghai Fine Chemicals Limited ("SFC") during the year. Through the utilization of research outcome, business reputation and know-how of the expertise of SFC, as well as the sales network and production resources of the Group, SFC has transformed itself from a technology research based company to a market driven company with the possession of strong capacity in research and development of fine chemical products. It will act as a technical platform for the Group's chiral pharmaceutical raw materials and pharmaceutical intermediates business.



To step further into the chiral pharmaceutical raw materials and pharmaceutical intermediates business which usually has a higher gross profit, the Group was pleased to announce its appointment of Dr. Yu Jinqun (“Dr. Yu”) as the Technical Consultant of the Group during the year who will be responsible for the technology development of chiral pharmaceutical raw materials and pharmaceutical intermediates. Dr. Yu is an renowned chemist from overseas with over 20 years of experience in research and development of chemical-related industry. He had been working in a number of reputable research and development institutes, during which he published many academic articles and reports and gained various recognitions. With the expertise and reputation of Dr. Yu in the industry, it is believed that the Group’s business would reach the international advancement standards, which eventually becomes the Group’s future core competitiveness.

The Group is engaged in high technology businesses in which human resources are valuable to the Group and are treated as the competitive edge among the competitors in the market. As such, effective human resources management has been the Group’s business strategy. Under the year of review, in addition to recruit technology expertise with high caliber through acquisitions and mergers together with the re-appointment of Mr. José Antonio Rodriguez Gascón as the Operation Consultant of the Group, the Group has appointed Dr. Yu Jinqun as the Technical Consultant of the chiral pharmaceutical raw materials and pharmaceutical intermediates. The Company has also invited Mr. Feng Tao and Mr. Han Huan Guang to join the Board, they are responsible for the Group’s operations and management duties. Both of them have gained substantial experience in the industry. It is expected that the decision making and planning capability will be strengthened. Besides, Mr. Lin Like was also appointed as the Operation Manager of aroma and natural products of the Group, responsible for professional management and business expansion.

During the year under review, due to the rising oil prices and production bases of turpentine all over the world have been adversely affected by different weather conditions, the price of turpentine, a main raw material of the Group, increased by 35% in the annual average selling price, compared to the relatively stable price fluctuation for the last five financial years of 2000-2004 of approximately 10%. Such scenario was unprecedented, however, it is expected that the rising trend of raw material prices will be alleviated. On the other hand, rising fuel prices and upward adjustment of interest rate, together with the fluctuation of RMB exchange rate have adversely affected the Group’s operating expenses. As such, effective measures have been introduced, offsetting and minimizing most of the adverse impact brought about by the high cost of raw materials, energy, and interest rate.

The above mentioned measures include the timely expansion of Haicang Plant in Xiamen; expansion of the scale of natural product processing; contributing to an increase of the Group’s annual production capacity of botanic essential oil from 11,000 metric tonnes to 16,000 metric tonnes, as a result, a decrease of energy consumption thus achieved. Apart

from scale expansion, technology advancement and the applied chemical process integration technology have significantly improved the production facilities, resulting in further decrease of the production waste of the Group's major products. With the introduction of steam supply carried out by the local government, reducing the cost of energy, and the dependence on fuel and the adverse impact on high oil price would be eliminated. With regards to the operation strategies, new products have been introduced to the product mix, reducing the cost of production and enhancing the operation effectiveness.

BUSINESS OUTLOOK

"Green Chemistry" has been the Group's underlying philosophy since its establishment. By using the rich supply of natural resources as its raw materials, the Group is able to expand its raw material processing business and focus on its core business – botanic essential oil processing production. "Business specialization and product diversification" have been the development direction of the Group. As such, the Group will continuously committed in exploitation of the PRC's rich supply of natural resources; diversifying its product portfolio; capitalizing the Group's existing solid foundation to support for future development; and leveraging on its existing sales network and high-tech platform of fine chemical production for its business expansion.

With regards to business specialization, "Production, Knowhow and Research" remains as the Group's philosophy; with the collaboration with reputed academic faculties and research and development institutions, the competitiveness of the Group's products can be strengthened. Besides, the cooperation with international technology enterprises has further enhanced the development of new technology for chiral pharmaceutical raw materials and pharmaceutical intermediates and aroma chemicals, it has also strengthened the Group's position as the leading high-tech company in the industry. Among all, the acquisition of SFC was significant, the research and development of the Group's technology and products were enhanced. The category and scale of the Group's chiral pharmaceutical raw materials and pharmaceutical intermediates are enlarged through the production technology introduced by SFC.

As for product diversification, effective diversification strategy remains as the Group's business objective, the Group is actively engaged in new production technology development for aroma chemical products and other new related products; cooperation with other international enterprises, so as to continuously focus on its core business – botanic essential oil processing. On the other hand, the Group is deploying more resources in the development of chiral pharmaceutical raw materials and pharmaceutical intermediates, as well as exploring business opportunities in respect of high-value Chinese pharmaceutical herbal extracts, marine extracts and natural food additives.

The Group will actively devote more efforts and resources in expanding its existing clientele and exploration to the downstream customer base. At the same time, the Group will continue to work with the leading international enterprises, to achieve win-win situations in terms of product, technology and new business development. Besides, the relationship established between the major clients will be transformed from simply product purchasing to strategic partnership.

Phase III of new factory construction project will soon commence followed by the completion of the Phase II expansion in October 2005. According to the new development plan, the Phase III construction project will increase the annual processing volume of botanic essential oil from 16,000 metric tonnes to 20,000 metric tonnes. After the completion of the project, the new factory will be well equipped with multi-functional production facilities, largely expand the room for development of natural product extracts and product portfolio.

Coping with the challenges arising from the supply condition of turpentine and the future resources integration, the Group will further implement strategic investments in resources origins, and will actively develop strategic partnership with the origins of resources so as to further enhance the efficiency of the management, balance and control of the botanic essential oil resources of the PRC.

Nevertheless, the Group will continue to focus on measures to control operating expenses, review the remuneration policy, streamline the organization, engage in technology innovation activities and further enhance the productivity of the production facilities, so as to achieve profitable growth.

The Group is optimistic of the business environment and its prospect in the coming year.

Apart from implementing of the above mentioned business plans, the Group will further explore other potential merger and acquisition opportunities with the aim to achieve better synergies and create the highest economies of scale and cost effectiveness. With the Group's proactive, yet prudent and pragmatic expansion programme, we look forward to achieving satisfactory returns for our shareholders in the coming year.

ACKNOWLEDGEMENT

In celebrating the achievements and results of the Group for the financial year, 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 continue trust in and support of the Group are essential to our growth and success. I would also like to thank all the Directors for their support and valuable recommendations. With the cooperation synergies and established relationship, the Group's business foundation had been strengthened. I am optimistic of the prospect of Ecogreen, and believe that Ecogreen will be well positioned as the largest supplier of aroma chemicals in the world, a leading supplier of chiral pharmaceutical raw materials and pharmaceutical intermediates and chiral technologies in the world, and to be a major service provider for international food safety standardization.

Yang Yirong
Chairman

Hong Kong, 12 April 2006