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)

(Stock code: 2341)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

CHAIRMAN STATEMENT

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 it provides the customers with one-stop purchasing services. As such, the Group has gradually strengthened its position as an 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 a 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 Jinquan ("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, 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 Jinguan 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.

Duing the year under review, due to 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 annual average stable price fluctuation for the 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 the effectiveness of operations was enhanced.

Business Outlook

"Green Chemistry" has been the Group's underlying philosophy since its inception. 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 its solid experience and know-how for future development. Leveraging on its existing sales network and high-tech platform for 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 products 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 were 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 supplier of natural functional food and natural pharmaceutical standard raw materials which meet the international food and drug safety standards.

Yang Yurong
Chairman

Hong Kong, 12 April 2006

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

(All amounts in RMB thousand unless otherwise stated)

	Note	**2005**	**2004** (Restated)
Sales	*2*	384,417	276,491
Cost of goods sold	*4*	(250,994)	(162,132)
Gross profit		133,423	114,359
Other gains – net	*3*	1,967	1,016
Selling and marketing costs	*4*	(18,268)	(8,057)
Administrative expenses	*4*	(32,285)	(33,732)
Operating profit		84,837	73,586
Finance costs	*5*	(6,864)	(7,003)
Profit before income tax		77,973	66,583
Income tax expense	*6*	(6,923)	(5,230)
Profit for the year		71,050	61,353
Attributable to:			
Equity holders of the Company		71,120	61,354
Minority interest		(70)	(1)
		71,050	61,353
Dividends	*7*	9,643	7,650
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)	*8*		
– basic		0.17	0.16

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2005
(All amounts in RMB thousand unless otherwise stated)

	Note	**2005**	**2004** (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		184,144	119,411
Land use rights		4,955	5,065
Intangible assets		22,705	16,897
Available-for-sale financial assets		400	–
Investment securities		–	400
		212,204	141,773
Current assets			
Inventories		33,306	19,494
Trade receivables	*9*	101,771	67,229
Prepayments and other receivables		40,558	16,824
Available-for-sale financial assets		300	–
Pledged bank deposits		–	31,800
Bank deposits with original maturity over three months		3,122	3,180
Cash and cash equivalents		257,908	205,543
		436,965	344,070
Total assets		649,169	485,843
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		48,778	43,990
Other reserves		209,747	148,100
Retained earnings			
– Proposed final dividend		5,758	7,650
– Others		180,502	120,751
		444,785	320,491
Minority interest		229	299
Total equity		445,014	320,790

LIABILITIES			
Non-current liabilities			
Borrowings		5,000	5,000
Deferred income on government grants		20	134
		5,020	5,134
Current liabilities			
Borrowings		117,824	109,141
Liability components of convertible bonds		–	13,419
Trade and bills payables	*10*	48,061	15,183
Accruals and other payables		30,568	19,014
Deferred income on government grants, current portion		114	114
Amounts due to directors		159	1,805
Current income tax liabilities		2,409	1,243
		199,135	159,919
Total liabilities		204,155	165,053
Total liabilities and equity		649,169	485,843
Net current assets		237,830	184,151
Total assets less current liabilities		450,034	325,924

Notes:

1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

The adoption of new/revised HKFRS

In 2005, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS Int 15	Operating Leases – Incentives
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27 and 33 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest and other disclosures.

– HKASs 2, 7, 8, 10, 16, 23, 27 and 33 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. Except for certain Hong Kong incorporated investment holding companies within the Group which have Chinese Renminbi has functional currency and Hong Kong dollars with presentational currency, all other group entities have the same functional currency as the presentation currency for respective entity financial statements.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of land use rights from property, plant and equipment to operating leases. The up-front prepayments made for land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In prior years, the land use rights were accounted for at cost less accumulated depreciation and accumulated impairment.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets, and the separate measurement of the liability portion and equity portion of convertible bonds.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 December 2004, the provision of share options to employees did not result in an expense in the income statements. Effective on 1 January 2005, the Group expenses the cost of share options in the income statement. As a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 1 January 2005 was expensed retrospectively in the income statement of the respective periods.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was:

– Amortised on a straight line basis over a period of 5 years; and

– Assessed for an indication of impairment at each balance sheet date.

Negative goodwill was amortised on a straight line basis over a period of 22 years.

In accordance with the provisions of HKFRS 3:

– The Group ceased amortisation of goodwill from 1 January 2005;

– Accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill;

– From the year ended 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

– The carrying amount of negative goodwill at 1 January 2005 was derecognised through retained earnings.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

– HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

– HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments securities. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 January 2005.

– HKAS-Int 15 – does not require the recognition of incentives for leases beginning before 1 January 2005.

– HKFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2005; and

– HKFRS 3 – prospectively after 1 January 2005.

The adoption of revised HKAS 17 resulted in:

	2005	**2004**
Increase in land use rights	4,955	5,065
Decrease in property, plant and equipment	4,955	5,065

The adoption of revised HKFRS 2 resulted in:

	2005	**2004**
Increase in share options equity reserve	5,732	3,467
Decrease in retained earnings	5,732	3,467
Increase in administrative expenses	2,676	3,467
Decrease in basic earnings per share	0.006	0.009

The adoption of revised HKFRS 3 and HKAS 38 resulted in:

	2005
Increase in intangible assets	783
Increase in retained earnings	783
Increase in administrative expenses	39

The adoption of revised HKAS 39 resulted in:

	2005	**2004**
Increase in available-for-sale financial assets	700	–
Decrease in investment securities	400	–
Decrease in prepayments and other receivables	–	390
Decrease in liability component of convertible bonds	–	635
Decrease in accruals and other payables	–	212
Decrease in share premium	1,106	1,106
Increase in convertible bonds equity reserves	–	1,723
Decrease in retained earnings	673	160
Increase/(decrease) in finance costs	513	(769)

Standards, interpretations and amendments to published standards that are not yet effective

The HKICPA has issued a number of new HKFRSs which are effective for accounting periods beginning on or after 1 January 2006. The Group has not early adopted these new HKFRSs in its accounts for the year ended 31 December 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

2 Segment information

Primary reporting format – business segment

As at 31 December 2005, the Group is organised into two main business segments:

(1) manufacturing and selling of fine chemicals; and

(2) trading of natural materials and fine chemicals.

The segment results for the year ended 31 December 2005 are as follows:

	Manufacturing	**Trading**	**Total**
Sales	306,918	77,499	384,417
Operating profit	91,548	1,747	93,295
Unallocated corporate expense			(8,458)
Finance costs			(6,864)
Profit before income tax			77,973
Income tax expense			(6,923)
Profit for the year			71,050

The segment results for the year ended 31 December 2004 are as follows:

	Manufacturing	**Trading**	**Total**
Sales	266,767	9,724	276,491
Operating profit	81,595	778	82,373
Unallocated corporate expenses			(8,787)
Finance costs			(7,003)
Profit before income tax			66,583
Income tax expense			(5,230)
Profit for the year			61,353

Other segment items included in the income statements are as follows:

	Manufacturing		Trading	
	2005	**2004**	**2005**	**2004**
Depreciation	6,053	4,682	34	31
Amortisation	2,646	2,596	–	–
Impairment of goodwill	755	–	–	–
Provision for/(reversal of) impairment of inventories	130	(457)	35	–
Reversal of/(provision for) impairment of trade receivables	716	1,049	194	(115)

The segment assets and liabilities as at 31 December 2005 and capital expenditure for the year then ended are as follows:

	Manufacturing	**Trading**	**Unallocated**	**Total**
Assets	374,554	13,257	261,358	649,169
Liabilities	104,424	8,339	91,392	204,155
	270,130	4,918	169,966	445,014
Capital expenditure	79,141	65	–	79,206

The segment assets and liabilities as at 31 December 2004 and capital expenditure for the year then ended are as follows:

	Manufacturing	**Trading**	**Unallocated**	**Total**
Assets	242,103	4,002	239,738	485,843
Liabilities	72,418	–	92,635	165,053
	169,685	4,002	147,103	320,790
Capital expenditure	38,371	16	–	38,387

Segment assets consist primarily of land use rights, property, plant and equipment, intangible assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities. They exclude items such as taxation and corporate borrowings. Capital expenditure comprises additions to property, plant and equipment, land use rights and intangible assets, including additions resulting from acquisitions through business combinations.

Secondary reporting format – geographical segment
The Group's two business segments operate in three main geographical areas.

	2005	2004
Sales		
– Mainland China	246,387	229,309
– Europe	71,426	21,235
– Asia (excluding Mainland China)	44,207	19,973
– Others	22,397	5,974
	384,417	276,491

Sales are allocated based on the places/countries in which customers are located.

	2005	2004
Total assets		
– Mainland China	613,917	420,369
– Hong Kong	34,879	65,474
– Others	373	–
	649,169	485,843

Total assets are allocated based on where the assets are located.

No geographical analysis of capital expenditure is presented as substantially all of the Group's capital expenditure was incurred in respect of assets located in Mainland China.

3 Other gains – net

	2005	2004
Interest income from bank deposits	1,480	902
Amortisation of deferred income on government grants	114	114
Others	373	–
	1,967	1,016

4 Expense by nature

Expenses included in cost of goods sold, selling and marketing costs and administrative expenses are analysed as follows:

	2005	2004
Depreciation, amortisation and impairment expenses	9,488	7,309
Employee benefit expense	17,151	21,223
Auditors' remuneration	988	1,145

5 Finance costs

	2005	2004
Interest expense on		
– bank borrowings wholly repayable within five years	4,950	4,756
– government loans wholly repayable within five years	732	506
– convertible bonds	1,182	1,741
	6,864	7,003

6 Income tax expense

	2005	2004
Current taxation		
– Mainland China enterprise income tax	6,923	5,230

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

The subsidiaries established in Xiamen, Fujian Province, Mainland China are subject to Mainland China enterprise income tax at a rate of 15% (2004: 15%). In February 2002, Xiamen Sinotek Enterprise Development Co., Ltd. transformed from a domestic enterprise to a wholly foreign owned enterprise and is exempted from Mainland China Tax Bureau for payment of enterprise income tax for two years starting from the first year of profitable operations after offsetting prior years' tax losses, followed by a 50% reduction in enterprise income tax for the following three years. 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 production.

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 the 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 the British Virgin Islands income tax.

7 Dividends

The dividends paid during the year ended 31 December 2005 were RMB11,535,000 comprising 2004 final dividend of RMB7,650,000 and 2005 interim dividend of RMB3,885,000. No dividend was paid during the year ended 31 December 2004.

A dividend in respect of the year ended 31 December 2005 of HK$0.012 per share, totalling RMB5,758,000 is to be proposed at the annual general meeting on 25 May 2006. These financial statements do not reflect this dividend payable.

	2005	2004
Interim dividend paid of HK$0.008 (2004: Nil) per ordinary share	3,885	–
Proposed final dividend of HK$0.012 (2004: HK$0.0175) per ordinary share	5,758	7,650
	9,643	7,650

8 Earnings per share

Basic earnings per share is calculated by dividing profit attributable to equity holders of the Company of RMB71,120,000 (2004: RMB61,354,000) by the weighted average number of 424,326,000 (2004: 393,634,000) ordinary shares in issue during the year.

Diluted earnings per share is not presented as the potential ordinary shares that were outstanding during the year were anti-dilutive during the years ended 31 December 2004 and 31 December 2005.

9 Trade receivables

	2005	2004
Trade receivables	103,369	69,737
Less: Provision for impairment of trade receivables	(1,598)	(2,508)
	101,771	67,229

The fair values of trade receivables approximates their carrying amounts.

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

	2005	2004
0 to 30 days	43,382	34,724
31 to 60 days	32,086	23,948
61 to 90 days	19,742	10,728
91 to 180 days	3,180	132
181 to 365 days	4,409	205
Over 365 days	570	–
	103,369	69,737
Less: Provision for impairment of trade receivables	(1,598)	(2,508)
	101,771	67,229

There is no concentration of credit risks with respect to trade receivables, as the Group has a large number of customers.

The Group has reversed provision for impairment of trade receivables of RMB910,000 (2004: RMB934,000). Such reversal has been included in administrative expenses in the income statement.

10 Trade and bills payables

As at 31 December 2005, the aging analysis of trade and bills payable was as follows:

	2005	**2004**
0 to 30 days	10,310	8,434
31 to 60 days	19,126	2,668
61 to 90 days	7,996	1,147
91 to 180 days	9,480	2,032
181 to 365 days	483	509
Over 365 days	666	393
	48,061	15,183

MANAGEMENT DISCUSSION AND ANALYSIS

Operational Review

The Group is the leading natural product processing natural fine chemicals enterprise in the PRC and is principally engaged in the research and development, production and sales of fine chemical products. Using natural recycled resources in the PRC as its major raw materials, including turpentine oil, various essential oils and various pharmaceutical plants, the Group produces and supplies the international fragrance enterprises, pharmaceutical enterprises and Japanese enterprises with high quality fragrance chemicals including integrated fragrance, natural fragrance and pharmaceutical fragrance, chiral pharmaceutical raw materials, pharmaceutical intermediates and natural pharmaceutical raw materials. The fine chemicals of the Group are ultimately used in pharmaceutical industry, healthcare industry and personal care industry. With the support of the exclusive manufacturing technology, the Group's products have a leading position in the global natural fine chemicals market.

The Group's fine chemical products are categorized into three main groups, namely:

(i) chiral pharmaceuticals raw materials and pharmaceutical intermediates which are principally used in the production of the main compound raw material of various common pharmaceuticals. Currently, the chiral pharmaceuticals raw material and pharmaceutical intermediates produced by the Group include α-Phenethyl alcohol (α-苯乙醇), (–)-Camphor (左旋樟腦), D-Bornelum (右旋龍腦) and 3-Phenylpropanal (3-苯丙醛), which are used as the main compound raw material of cardiovascular drug, antiretroviral drug, antidepressants, antibiotics, anti-cancer drug and immunocompetence drug;

(ii) natural pharmaceutical raw materials which are used as functional ingredients in the production of modern Chinese herbal medicines and healthcare products. Presently, the natural pharmaceutical raw materials produced by the Group include Natural Cinnamic Aldehyde (天然肉桂醛), Eucalyptol (桉葉素) and Eugenol (丁香酚). These natural pharmaceuticals raw materials are used as functional ingredients in the production of natural pharmaceuticals like skin medicine, pharmaceuticals for refreshing and relief of fatigue, pain releasing analgesic for relief of muscle aches, fatigue refresher and medicated oil for nasal discomfort;

(iii) aroma chemicals which are broadly used as ingredients in flavor and fragrance products to be applied in a wide range of personal care products, cosmetics and household products. Aroma chemicals produced by the Group mainly include Dihydromyrcenol (二氫月桂烯醇), Natural Citronellal (天然香茅醛) and Natural Citronellol (天然香茅醇), etc. 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; and

(iv) product trading which was to cater the robust demand from the Group's existing clients and to enhance its sale services so as to strengthen client relationships during the period under review. Due to the multi-species feature of aroma chemicals, the Group has also explored the integrated sales operation of aroma chemicals not manufactured by itself. This product trading was a direct effective means for undertaking marketing research activities of the Group and also strengthened the Group's position as an integrator of the industry.

Product Diversification
Leveraged on its advanced production technologies and techniques, the Group's strong research and development capabilities and the cooperation with the international industrial enterprises, the Group has been devoting more efforts in accelerating production technology advancement and new product development, in order to respond the market demand in a timely manner and swiftly adjust its product mix.

During the year under review, approximately 30 types of fine chemical products were produced. An analysis of the Group's turnover by product types and the gross profit of the Group's products for the year ended 31 December 2005 and 31 December 2004 is as follows:

	Turnover		**Gross Profit**	
	2005	**2004**	**2005**	**2004**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Chiral pharmaceuticals raw material and pharmaceutical intermediates	50,600	39,837	38,307	30,180
Natural pharmaceutical raw materials	73,600	70,813	26,718	26,861
Aroma chemicals	182,718	156,117	58,840	56,540
Product trading	77,499	9,724	9,558	778
Group's turnover/gross profit	384,417	276,491	133,423	114,359

Chiral pharmaceuticals raw material and pharmaceutical intermediates
During the year under review, the sales of all chiral pharmaceuticals raw material and pharmaceutical intermediates of the Group has achieved a stable growth. For the year ended 31 December 2005, the sales of chiral pharmaceuticals raw material and pharmaceutical intermediates increased by 27% to RMB50.6 million, from RMB39.8 million in the previous year. It accounted for 13% (2004: 14%) of the Group's turnover. Gross profit also increased by 27% to RMB38.3 million, from RMB30.2 million in the previous year. The growth of chiral pharmaceuticals raw material and pharmaceutical intermediates in 2005 was mainly attributable to Alpha – Phenylethyl alcohol (α-苯乙醇), 3-Phenylpropanal Aldehyde (3-苯丙醛) and Intermediary polysaccharide (T110), which outperformed within its category. Chiral pharmaceuticals raw material and pharmaceutical intermediates produced by the Group have been well recognized by the market and the final drugs produced were new drugs in the pharmaceutical market. Increasing demand for these final drugs also contributed to a substantial growth in the demand for chiral pharmaceuticals raw material and pharmaceutical intermediates.

Natural pharmaceutical raw materials
During the year under review, the Group's natural pharmaceuticals raw materials posted a progressive growth. The sales increased by 4% to RMB73.6 million in the year ended 31 December 2005 from RMB70.8 million in the previous year. It accounted for 19% (2004: 26%) of the Group's turnover. Gross profit of natural pharmaceutical raw materials remained flat at RMB26.7 million. Natural Cinnamic Addehyde (天然肉桂醛) and Eucalyptol (桉葉素) are two of the Group's most typical natural pharmaceutical raw materials.

Aroma chemicals
The sale of aroma chemicals increased by 17% to RMB182.7 million in the year ended 31 December 2005 from RMB156.1 million in the previous year. It accounted for 48% (2004: 56%) of the Group's turnover. Gross profit also increased by 4% to RMB58.8 million, from RMB56.5 million in the previous year. As at 31 December 2005, aroma chemicals produced by the Group mainly include Dihydromyrcenol (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). The growth of these three typical products was mainly driven by the Group's expansion of the processing capacity in October 2004 and the continuously growing demand for these downstream products in the Mainland China and the international market. As these aroma chemicals are mainly used 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, comparing with that of last year, the Group's direct sales recorded nearly two-fold growth, it also stimulates the sales in the year under review.

Product Trading
For the year ended 31 December 2005, sales from product trading were RMB77.5 million, accounting for the Group's turnover of 20%, while its gross profit were RMB9.6 million. Although the integrated sales operation of aroma chemicals does not count as the Group's core business, the trading activities of related products also contributed to the Group's sales and gross profit during the year under review. Under the customer oriented principle, the Group is committed to enhance its quality of sales services for stronger customer relationships, while commencing the new integrated sales operation with a great variety of aroma chemicals to cater the increasing demand of the Group's existing customers. The Group offers its customers with comprehensive product portfolios, including aroma chemicals not manufactured by itself through the new operation. Although the gross profit of this trading activity was lower than that generated from the sales of the Group's processed products, it is strategically important for the Group to diversify its products under the same brandname without utilizing the Group's processing capacity. This is also the most effective and direct means for undertaking marketing research activities of the Group. Although the gross profit of this trading activity was lower than

that generated from the sales of the Group's processed products, it is strategically important for the Group to diversify its products under the same brandname without utilizing the Group's processing capacity.

Marketing Strategy

During the year, apart from recruiting more sales and marketing professionals specialized in fine chemical market, the Group also strengthened the promotion of its own brand "DOINGCOM" in selected overseas markets. In order to make further development of the Group in the future and strengthen the good relationship built up with its existing clients, the Group also actively developed strategic trading partnership with major multinational flavour and fragrance manufacturers.

Taking into account the Group's major clientele comprised of industrial corporations with considerate market bases, rapid growth in number of clients may not be seen in the future. Therefore, the Group put great emphases on the consolidation of client relationship and development of integrated sales and marketing business through the provision of better services, larger quantities and wider product ranges to its existing clients so as to strengthen its position as an integrator of the industry.

Client's loyalty towards the brand "DOINGCOM" had been greatly enhanced by its quality products and professional services rendered. The Group maintained close partnership with several multi-national corporations in order to provide timely reasonable solutions according to client's requirement. Apart from enhancing client's value, the Group also continued to grasp on new business opportunities, results of which will be reflected in the results for the second half of the year. With the implementation of proper marketing strategies, both the Group and its client were able to achieve win-win situations and on-going development.

Diversified Client Base

Over the years, the Group has already established a solid clientele all over the world. With premium product quality and stable supply, the Group has successfully maintained the client relationships over the years. During the year under review, the number of clients increased with the enhancement of production capability and the launch of new products. Our client portfolio is also becoming more diversified including the world top ten multinational flavour and fragrance manufacturers, major household and personal care products manufacturers, renowned natural pharmaceutical plants, leading pharmaceutical plants and intermediate traders. Apart from minimizing the adverse impact from over concentration on specific customers and industries, the diversification of client base can also mitigate the sales effect brought by any specific industries and any significant seasonal fluctuations. The number of the Group's clients reached 150 until now.

Turnovers generated from the Group's five largest clients increased from 18% to 25% in 2005. The increase was primarily due to one of those clients assisted the Group to commence trading operation in mid 2005, which contributed to larger sales amounts. Excluding the contribution from that client, turnovers from the other four largest clients accounted for 18%, which is at a comparative level with last year.

Expanded Production Capability
The existing production facility of the Group is located at Xiamen, Fujian Province, Mainland China. It has a site area and a gross construction area of approximately 27,000 sq.m. and 8,400 sq.m. respectively. As disclosed in the prospectus of the Group when listing, approximately RMB73,776,000 of the proceeds from initial public offer would be used for the construction of new plant and installation of machinery and equipment, while the remaining construction cost would be financed by internal funds and bank borrowings of the Company. The preliminary construction plan outline was commenced at the end of 2003 with the planning and design duly finalized in early 2005. In view of the ever-changing commodity market or downstream products market, after taking due consideration and in-depth research on the global demand of the Group's product mix in the future and the estimated gross profit of products, and in view of the needs of international industrial cooperation, the Group revised the original construction plan strategically.

The Group decided to advance the significant technical upgrade of its existing production workshop at Xiamen Haicang Plant half year earlier by applying the recent research and development breakthrough in chemical and intensified technology, and to commence the phase II expansion, making the annual processing capacity of the botanic essential oil greatly enhanced from 11,000 metric tonnes since October 2005 to 16,000 metric tonnes, thus also expanding the room for development of the production capacity of new products. Meanwhile, the newly established thermal heat generating plant situated at the newly developed area in Haicang, Xiamen had served as a direct stable supply of steam and gas for the plant, hence the Group's Haicang Plant is no longer supplying steam by itself using oil as fuel.

According to the new development plan, the phase III of the new factory construction project includes construction of new fine chemical production facilities, a multi-functional workshop, a workshop with GMP standard, a series of storage tanks and a water recycled system. It is expected that the new factory construction project can further enhance the production capacity of aroma chemical product, chiral pharmaceutical raw materials and pharmaceutical intermediates, including natural botanic materials. As a result, apart from increasing the annual processing volume of botanic essential oil from 16,000 metric tonnes to 20,000 metric tonnes, the new factory will be well equipped with multi-functional production facilities which will expand room for the development of halobios essential products and product portfolio.

In addition to the market demand, production technology and international industrial cooperation factors, the above revision has also taken into account that a reasonable expansion based on its existing advanced production equipment and public utilities would save time and investment for the building of new production capacity to a very large extent, which helped to achieve the greatest economies of scale with minimum level of investment.

Research enhancement and efficiency development
During the period under review, the Group was committed to the set up and consolidation of research and development institutes. By recruiting professors from the Chinese Academy of Science and doctorate degree holders who has worked in the multinational fine chemicals enterprise in United States, the Group strengthened the research and development capability of further processing of natural products and expanded the scope of research and development of the product range of natural extracts. Also, on the other hand, through the acquisition of Shanghai Fine Chemicals Limited ("SFC"), a pharmaceutical research and development center specializing in chiral pharmaceutical raw materials and pharmaceutical intermediates was established in Shanghai. Through such acquisition, the Group would be able to integrate the production know-how, research outcomes and reputation of chiral pharmaceuticals raw materials and pharmaceutical intermediates and other fine chemical products which are developed and possessed by SFC with the Group's advanced production facilities and technology, serving as a new driver for the rapid development of the Group's chiral pharmaceuticals raw materials and pharmaceutical intermediates business.

Once the acquisition of SFC was completed, the Group speeded up the consolidation of SFC's businesses. After such reorganization, SFC was positioned as the platform of the Group's chiral pharmaceuticals raw materials and pharmaceutical intermediates business. With the support from the Group, SFC successfully transformed from a scientific research oriented company to a market driven high technology fine chemicals enterprise which combines with its strong development strength. By the end of this year, the Group achieved key breakthrough in areas of clients, scientific researches and innovative products which contributed to the leaping results.

In short, the Group has already strengthened its research and development capability, recruited scientific research professionals, merged with research and development institutions and acquired new technologies during this year. On the other hand, the Group has also laid down its future research direction and plan after due verification, with effective approach for implementation. For the year ended 31 December 2005, the capitalized amounts for costs including product development, technology acquisition and merger as well as the acquisition of patent technology from SFC, were approximately RMB8.3 million in total (2004: RMB3,600,000). The amortization of product development costs of the Group was RMB2.5 million (2004: RMB2.2 million).

Outlook

The healthy and stable development of global economy, the increasing household income and consumption demand, the emergence of new living concept, the continuous upgrade of overall living standard, and the public concern on the importance of personal health and environment protection, all together have further boosted the demand on the pharmaceutical, health care and personal care products made of natural resources. Besides, the products of the Group have been widely used in the pharmaceutical, health care and personal care industries, and the Group has developed diversified consumption levels and extensive consumer base, thus, the demand for the Group's products will maintain a stable growth in the future.

With product diversification remains as the Group's strategy, the Group is actively participating in the development of new technology and new products for aroma chemicals, together with the cooperation with international enterprises, it is expected that the solid development base for botanic essential oil processing will be enhanced. On the other hand, the Group is deploying more resources to explore the opportunities of developing chiral pharmaceutical raw materials and pharmaceutical intermediates, high-end Chinese pharmaceutical herb extracts, halobios essentials and natural food additives. The Group is also seeking for the development of sectors such as modern botanic raw materials, oceanic natural pharmaceuticals, food offering natural and safe effects and environmental friendly health care products, aiming at producing high value-added pharmaceutical raw materials, chiral pharmaceuticals raw material and pharmaceutical intermediates, and the natural edible and functional raw materials which are extensively used in making green food and natural health care products nowadays.

By enhancing the research and development capability of the Group and proactively facilitating technology cooperation with international enterprises, the Group, based on its existing product line, is striving for a quick launch of new products which have been highly recognized and demanding by the fine chemical products market, targeting to generate new growth in revenue, optimize its product portfolio, further strengthen its foundation and maintain its leading edge. Meanwhile, under the leadership of the Operation Consultant Mr. José Antonio Rodriguez Gascón, the Group can establish closer strategic relationship with international enterprises, thus achieving comprehensive cooperation in respect of products, technologies and new business.

The Group is optimistic about its business outlook. Nevertheless, the future is full of challenges such as the pressure of high operation cost arising from the soaring raw materials cost, increasing interest rate and fluctuation of RMB exchange rate. To cope with such challenges, the Group will adopt a number of effective measures, including strategic reserve of raw materials, advancement of production technology and expansion of production scale, so as to enhance operating efficiency. The Group will also implement active operation strategies such as accelerating the development of high value-added products to optimize product mix; improving quality of sales services to maintain customer relationships; and timely increase of product prices. Looking forward, while the Group is full of confidence, it will still remain cautious and grasp every opportunity in order to bring fruitful returns for the shareholders.

Financial Review

Financial Performance

The Group achieved a persistent stable business growth for the year ended 31 December 2005. Turnover and profit for the year reached RMB384.4 million and RMB71.1 million, respectively, representing a year-on-year increase of 39% and 16% as compared to RMB276.5 million and RMB61.4 million in 2004. The increase in profit was mainly attributable to the continued expansion of the Group's business and the increase of sales of the Group's fine chemical products.

Turnover

Benefiting from the completion of the Group's productivity enhancement in October 2004, the Group's further expansion of the existing production plant in October 2005 and the increasing demand of the Group's products, the Group's turnover reached RMB384.4 million for the year.

Analysing by the Group's products category, growing demand of the Group's chiral pharmaceuticals raw material and pharmaceutical intermediates resulted in the increase of turnover to RMB50.6 million, representing a year-on-year increase of 27% as compared to RMB39.8 million in 2004. The international market expedited the overall increase in the demand for the Group's aroma chemicals, turnover of aroma chemicals reached RMB182.7 million, representing a year-on-year increase of 17% as compared to RMB156.1 million in 2004. The turnover of the new trading business, which served as a value-added serviced to the Group's existing customers to provide them non-Group manufactured products, reached RMB77.5 million.

The Group continued to focus on diversifying its customer base and extending its sales and distribution network. Geographically, local sales of the Group's fine chemical products surged by 7% as compared to that of 2004 whereas the overseas sales of the Group's fine chemical products increased by 193% as compared to that of 2004.

Gross Profit

During the year under review, the gross profit of the Group amounted to RMB133.4 million, representing a growth of 17%. The gross profit margin of the Group decreased from 41% in 2004 to 35% in 2005. The deterioration of the Group's gross profit margin was mainly attributable to approximately 20% percent of revenue being arising the Group's new trading business from which the non-Group's manufactured products are sold at a lower profit margin.

Analysing by the Group's products category, the gross profit margin of chiral pharmaceutical raw materials and pharmaceutical intermediates and natural pharmaceutical raw materials remained steady at approximately 76% and 36% as compared to 76% and 38% in 2004. The decrease of profit margin of aroma chemicals from 36% in 2004 to 32% in 2005 was mainly attributable to the increase of price of turpentine which is one of the major raw materials of the Group. Nevertheless, that adverse impact was substantially offset by the Group's continuous effort in improving the productivity, material sourcing capability and production overhead control, the cost effectiveness of manufacture was enhanced. The gross profit margin of trading products was 12% in 2005. Despite the lower gross profit margin and relatively higher operating costs, the new trading business facilitated the diversification of the Group's product mix, without utilizing the Group's existing production capacity and the reinforcement of the Group's leading position in the natural fine chemicals industry in the PRC.

Operating Income and Expense

Other revenues include the interest income from bank deposits and the amortisation of deferred income on government grants. The increase of RMB951,000 in other revenue was mainly due to the increase of the bank interest income during the year under review.

Selling and distribution expenses as a percentage of sales increased from 2.9% to 4.8%. The increase of RMB10.2 million in selling and distribution expense was mainly due to the increase of transportation cost and packaging expenses for those increased export sales in the year under review. Administrative expenses for 2005 represented 8.4% of turnover (2004: 12.2%). The decrease of RMB1.5 million in administrative expenses was mainly due to the cost saving measures adopted, including the decrease of staff and management bonus payment by RMB5.2 million in the year under review and resulting in the total employment cost decrease by RMB4.1 million. The finance expenses recorded RMB139,000 decrease when compared to last year, mainly due to the decrease of interest expense on convertible bonds which was partially converted in 2004 and was fully repaid in 2005.

Liquidity, Financial Resources and Capital Structure

During the year under review, the Group's primary source of funding included the net proceeds of RMB61.3 million received from the issuing and placing of new shares and the cash generated from operating activities. With the financial resources obtained from the Group's operations, the Group had invested RMB70.6 million in the acquisition of the property, plant and equipment, repaid RMB5.4 million (2004: RMB12.6 million) of bank borrowings and convertible bonds and paid RMB11.5 million (2004: nil) of dividend during the year. As at 31 December 2005, the Group had cash and bank deposits of approximately RMB261.0 million (2004: RMB240.5 million).

The Group's financial position continues very solid and healthy during the year under review. As at 31 December 2005, the net current assets and the current ratio of the Group were approximately RMB237.8 million (2004: RMB184.2 million) and 2.2 (2004: 2.2), respectively.

As at 31 December 2005, the Group had bank borrowings of approximately RMB86.7 million (2004: RMB78.0 million), government loans from State Development and Reform Commission, Xiamen Development Planning Commission and other Mainland China government bureaus to finance the Group's product development activities and expansion of production facilities of approximately RMB34.2 million (2004: RMB36.2 million) and convertible bonds of RMB nil (2004: RMB13.4 million) and other borrowings of RMB2 million (2004: Nil). As at 31 December 2005, the Group's gearing ratio which is represented by the ratio of total borrowings to total shareholders' equity, was approximately 28% (2004: 40%) and the Group's net cash balance, being cash and cash equivalents plus pledged bank deposits less borrowings amounted to RMB138.2 million (2004: 113.0 million).

With the positive cash inflow from the Group's operations, its available banking facilities and its existing cash resources, the Group has very strong liquidity and sufficient financial resources to meet its commitments, working capital requirements and future investments for expansion.

Charges on assets

As at 31 December 2005, bank deposit of RMB nil (2004: RMB31.8 million), certain property, plant and equipment of the Group with an aggregate net book value of about RMB32.2 million (2004: RMB0.6 million) and land use rights of RMB4 million (2004: RMB3 million) were pledged to secure the Group's bank borrowings.

Contingent Liabilities

As at 31 December 2005, neither the Group nor the Company had any contingent liabilities.

Capital Commitment

As at 31 December 2005, the Group had capital commitments of approximately RMB73.0 million (2004: RMB49.7 million) in respect of purchases of property, plant and equipment, construction-in-progress and product development projects.

Treasury Policies and Exposure to Fluctuations in Exchange Rates
The Group's assets, liabilities, revenues and transactions are mainly denominated in Renminbi, United States dollars and Hong Kong dollars with its operation mainly in the PRC. As at 31 December 2005, the Group's bank borrowings of approximately RMB86.7 million were denominated in Renminbi. The Group's cash and cash equivalents (comprise cash on hand, bank balances and time deposits within three months of maturity when acquired) denominated in Renminbi amounted to RMB227.3 million of the total balance with the remaining balance denominated in Hong Kong dollars and United States dollars.

The Group's foremost exposure to the foreign exchange fluctuations was caused by the revaluation of Renminbi during the year under review. The Group's export sales are, in majority, denominated in United States dollars. Nevertheless, the Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year. Nevertheless, the Group will conduct periodic review of its exposure to foreign exchange risk and may use financial instrument for hedging purpose when considered appropriate.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2005, the Group has 245 full-time employees of which 239 are based in the PRC. For the year under review, the total employment costs incurred for 2005 including directors' emolument amounted to RMB17.2 million. The Group has established its human resources policies and procedures with a view to deploy the incentives and rewards of the remuneration system. The remuneration package offered to the staff is appropriate for the duties and in line with the prevailing market terms. Staff benefits, including medical coverage and provident funds, are provided to employees. The Group has also established effective performance evaluation system in which employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system.

The Group has also adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. During the year under review, no share options were granted to employees.

CORPORATE GOVERNANCE

The Company has applied the principles of and has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2005, except for certain deviations. The major areas of deviation are as follows:

Code provision A.2.1
Under the code provision A.2.1 of the CG Code, the roles of chairman and CEO should be separate and would not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing. The Company does not presently have any officer with the title CEO. At present, Mr. Yang Yirong, being the Chairman and the President of the Company, is responsible for the strategic planning, formulation of overall corporate development policy and running the business of the Group as well as the duties of Chairman. The Board considered that, due to the nature and extent of the Group's operations. Mr. Yang is the most appropriate chief executive because he possesses in-depth knowledge and experience in fine chemicals business and is able to ensure the sustainable development of the Group. Besides, he is the founder, the chairman and the controlling shareholder of the Group since its establishment and till now. Notwithstanding the above, the Board will review the current structure from time to time. When at the appropriate time and if candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may make the necessary amendments.

Code provision A.4.2
Under the code provision A.4.2 of the CG Code, all directors appointed in fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to Article 108(A) of the Articles of Association of the Company (the "Articles of Association"), one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting provided that the Chairman, the Deputy Chairman, the Managing Director or Joint Managing Director of the Company shall not be subject to retirement by rotation. According to Article 112 of the Articles of Association, all directors appointed to fill a casual vacancy shall office until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting. In order to ensure full compliance with the code provision A.4.2 of the CG Code, special resolutions for approval by the shareholders of the Company will be proposed to amend Articles 108(A) and 112 of the Articles of Association at the forthcoming AGM.

Code provision E.2.1
Under the code provision E.2.1 of the CG Code, the chairman of a meeting and/or directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at a particular meeting shall demand a poll in certain circumstances where, on a show of hands, a meeting votes in opposite manner to that instructed in those proxies. According

to Article 72 of the Articles of Association, the criteria for demanding a poll does not include such specification. In order to ensure full compliance with the code provision E.2.1 of the CG Code, special resolution for approval by the shareholders of the Company will be proposed to amend Article 72 of the Articles of Association at the forthcoming AGM.

ANNUAL GENERAL MEETING

The 2006 annual general meeting ("the AGM") of the Company will be held on Thursday, 25 May 2006 at 2:30 p.m. For details of the AGM, please refer to the notice of AGM which will be published and despatched to shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members of the Company will be closed from Monday, 22 May 2006 to Thursday, 25 May 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 19 May 2006.

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

During the year ended 31 December 2005, the Company had not redeemed and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed the Group's consolidated financial statements for the year ended 31 December 2005, including the accounting principles and practices adopted by the Group, including the accounting policies and practices adopted by the Group, in conjunction with the Group's external auditors.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

This results announcement is published on the website of the Stock Exchange (www.hkex.com.hk). The 2005 annual report containing all the information required by The Listing Rules and the notice of AGM will be despatched to shareholders and will be published on the Stock Exchange's website in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of the Company comprises of four executive Directors, namely Mr. Yang Yirong (Chairman), Mr. Gong Xionghui, Ms. Lu Jiahua, and Mr. Lin Like, two non-executive Directors, namely Mr. Feng Tao and Mr. Han Huan Guang and three independent non-executive Directors, namely Dr. Zheng Lansun, Mr. Yau Fook Chuen and Mr. Wong Yik Chung, John.

By order of the Board
Yang Yirong
Chairman & President

Hong Kong, 12 April 2006

"Please also refer to the published version of this announcement in The Standard."