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; Website: www.ecogreen.com)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

The board of directors (the "**Board**") of EcoGreen Fine Chemicals Group Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively "**EcoGreen**" or the "**Group**") for the six months ended 30 June 2010 together with the comparative figures for the previous year as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2010

	Note	**Six months ended 30 June**	
		2010	2009
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	*2*	**425,259**	341,114
Cost of goods sold		**(315,102)**	(248,768)
Gross profit		**110,157**	92,346
Other gains - net		**14**	323
Selling and marketing costs		**(10,555)**	(8,957)
Administrative expenses		**(17,589)**	(12,286)
Operating profit	*3*	**82,027**	71,426
Finance costs - net	*4*	**(6,506)**	(9,499)
Profit before income tax		**75,521**	61,927
Income tax expense	*5*	**(11,303)**	(8,195)
Profit for the period		**64,218**	53,732
Attributable to:			
Equity holders of the Company		**64,238**	53,741
Minority interest		**(20)**	(9)
Profit for the period		**64,218**	53,732
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in RMB per share)			
- Basic	*6*	**13.8 cents**	11.6 cents
- Diluted	*6*	**13.5 cents**	11.5 cents

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	**64,218**	53,732
Other comprehensive income:		
Currency translation differences	**56**	1
Cash flow hedge		
- Fair value change for the period	**666**	665
- Transfer to finance costs	**644**	876
	1,366	1,542
Total comprehensive income for the period	**65,584**	55,274
Attributable to:		
Equity holders of the Company	**65,604**	55,283
Minority interest	**(20)**	(9)
Total comprehensive income for the period	**65,584**	55,274

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2010

	Note	**30 June**	31 December
		2010	2009
		RMB'000	RMB'000
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Land use rights		**9,795**	9,851
Property, plant and equipment		**382,905**	384,191
Intangible assets		**61,686**	57,173
Investment in an associate		**1,750**	1,750
Available-for-sale financial assets		**200**	400
		456,336	453,365
Current assets			
Inventories		**75,845**	72,176
Trade receivables	*8*	**246,148**	203,227
Prepayment and other receivables		**71,028**	45,488
Pledged bank deposits		**50,377**	27,122
Cash and cash equivalents		**512,207**	514,744
		955,605	862,757
Total assets		**1,411,941**	1,316,122

	Note	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**49,232**	49,232
Share premium		**181,841**	181,841
Other reserves		**60,218**	58,852
Retained earnings			
- Proposed dividend	*7*	**3,583**	12,274
- Others		**598,939**	538,284
		893,813	840,483
Minority interest in equity		**3,482**	3,502
Total equity		**897,295**	843,985
LIABILITIES			
Non-current liabilities			
Borrowings		**60,884**	100,119
Derivative financial instruments		**–**	917
Deferred tax liabilities		**10,500**	10,500
		71,384	111,536
Current liabilities			
Trade payables and bills payable	*9*	**137,788**	72,824
Current income tax liabilities		**6,105**	3,886
Borrowings		**264,508**	252,666
Derivative financial instruments		**1,440**	1,833
Accruals and other payables		**19,924**	28,008
Amount due to a director		**1,002**	996
Dividend payable		**12,495**	388
		443,262	360,601
Total liabilities		**514,646**	472,137
Total equity and liabilities		**1,411,941**	1,316,122
Net current assets		**511,143**	502,156
Total assets less current liabilities		**968,679**	955,521

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND HONG KONG ACCOUNTING STANDARDS (“HKASs”)

Standards, amendments and interpretations effective in 2010

The Group has adopted all new/revised HKFRSs which were mandatory for the financial year beginning on or after 1 January 2010 and were pertinent to its operations. The applicable HKFRSs are set out below:

HKAS 18 (Amendment)	Revenue
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – INT 17	Distributions of Non-cash Assets to Owners

Apart from the above, the HKICPA has also issued “Improvements to HKFRSs 2009”* which set out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Amendments are effective for annual periods beginning on or after 1 January 2010 although there is separate transitional provision for each standard.

* *“Improvements to HKFRSs 2009” contain amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 7, HKAS 17, HKAS 36, HKAS 38, HKAS 39 and HK(IFRIC)-INT 9.*

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group’s accounting periods beginning on or after 1 July 2010 or later periods, but the Group has not early adopted:

HKAS 24 (Revised)	Related Party Disclosures[2]
HKFRS 9	Financial Instruments[3]
HK(IFRIC) – INT 14 (Amendment)	Prepayment of a Minimum Funding Requirement[2]
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments[1]

Apart from the above, the HKICPA has also issued “Improvements to HKFRSs 2010”* which set out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendments to HKFRS 3 and HKAS 27 which are effective for the annual periods beginning on or after 1 July 2010, other amendments are effective for annual periods beginning on or after 1 January 2011 although there is separate transitional provision for each standard or interpretation.

* *"Improvements to HKFRSs 2010" contain amendments to HKFRS 1, HKFRS 3, HKFRS 7, HKAS 1, HKAS 27, HKAS 34 and HK(IFRIC)-Int 13.*

[1] effective for annual periods beginning on or after 1 July 2010

[2] effective for annual periods beginning on or after 1 January 2011

[3] effective for annual periods beginning on or after 1 January 2013

The Group has commenced considering the potential impact of the other new and revised standards, amendments or interpretations but is not yet in a position to determine whether they would have a significant impact on its results and financial position are prepared and presented.

2. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

The Group is principally engaged in the manufacturing of fine chemicals from natural resources for use in aroma chemicals and pharmaceutical products and the trading of natural materials and fine chemicals. Turnover for the Group represents revenue from sale of goods.

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sale of goods (net of value-added tax)	**425,259**	341,114

(b) Segment information

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. The Executive Directors have determined the operating segments based on these reports. The Executive Directors consider the business from product perspective.

As at 30 June 2010, the Group is organised into two main operating segments:

(1) manufacturing and selling of fine chemicals; and

(2) trading of natural materials and fine chemicals.

The segment results for the six months ended 30 June 2010 are as follows:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Manufacturing	**389,216**	306,314
Trading	**36,043**	34,800
Total revenue	**425,259**	341,114

Segment results		
Manufacturing	**97,106**	80,818
Trading	**2,497**	2,571
Unallocated corporate expense – net	**(17,576)**	(11,963)
Finance cost, net	**(6,506)**	(9,499)
Income tax expense	**(11,303)**	(8,195)
Profit for the period	**64,218**	53,732

The segment assets and liabilities as at 30 June 2010 and capital expenditure for the period then ended are as follows:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Segment assets		
Manufacturing	**771,838**	705,035
Trading	**5,741**	21,583
Cash and cash equivalents	**562,584**	541,866
Other corporate assets	**71,780**	47,638
Total assets	**1,411,943**	1,316,122
Segment liabilities		
Manufacturing	**163,079**	97,343
Trading	**6,029**	7,251
Bank borrowings	**294,072**	321,015
Deferred tax liabilities	**10,500**	10,500
Current income tax liabilities	**6,105**	3,886
Other corporate liabilities	**34,861**	32,142
Total liabilities	**514,646**	472,137

	Six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Capital expenditure		
Manufacturing	**21,643**	19,952
Trading	**41**	74
	21,684	20,026

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

Other segment items charged/(credited) in the condensed consolidated income statements are as follows:

	Manufacturing		Trading	
	Six months ended 30 June		**Six months ended 30 June**	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited	(Unaudited)	**(Unaudited**	(Unaudited)
Depreciation	**14,332**	12,820	**58**	51
Amortisation	**4,121**	3,300	**–**	–
Provision for/(reversal of) impairment of inventories	**178**	(79)	**(80)**	(5,582)
Write-down of inventories	**332**	1,396	**–**	–
Provision for/(reversal of) impairment of trade receivables	**480**	(197)	**(5)**	(9)
Reversal of impairment of other trade receivables	**–**	(3,000)	**–**	–

The Group's two operating segments operate in three main geographical areas.

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
- Mainland China	**279,068**	242,073
- Europe	**78,552**	54,563
- Asia (excluding Mainland China)	**41,136**	24,959
- Others	**26,503**	19,519
	425,259	341,114

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

	30 June	31 December
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Total assets		
- Mainland China	**1,351,450**	1,250,453
- Hong Kong	**57,932**	63,784
- Unallocated	**2,559**	1,885
	1,411,941	1,316,122

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. OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Amortisation of prepaid operating lease payments	**56**	56
Amortisation of intangible assets	**4,065**	3,244
Depreciation	**14,390**	12,871
Loss on disposal of available-for-sale financial assets	**200**	–
Provision for/(reversal of) impairment of inventories	**98**	(5,661)
Write-down of inventories	**332**	1,396
Provision for/(reversal of) impairment of trade receivables	**475**	(206)
Reversal of impairment of other receivables	**–**	(3,000)
Net exchange (gains)/loss	**(32)**	455

4. FINANCE COSTS - NET

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expense on:		
- Bank borrowings wholly repayable within five years	**(9,208)**	(9,562)
- Government loans wholly repayable within five years	**(297)**	(302)
- Government loans not wholly repayable within five years	**(47)**	(64)
Net foreign exchange gains/(losses) on financing activities	**629**	(665)
	(8,923)	(10,593)
Less: amount capitalized on qualifying assets	**1,151**	–
Finance costs	**(7,772)**	(10,593)
Finance income		
- Interest income on short term bank deposits	**1,266**	1,094
Net finance costs	**(6,506)**	(9,499)

Finance cost capitalised during the period have been calculated by applying a capitalisation rate of 5.9% (six months ended 30 June 2009:nil) per annum on expenditure of qualifying assets.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax		
- Mainland China enterprise income tax	**11,303**	8,195

Notes:

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 22% (2009: 20%). In November 2006, Xiamen Doingcom Chemical Co. Ltd. transformed from a domestic enterprise to a wholly foreign owned enterprise. It has obtained approval from Mainland China Tax Bureau to be exempted from enterprise income tax for two years starting from the first year of profitable operations, followed by a 50% reduction in enterprise income tax for the following three years, Xiamen Doingcom Chemical Co. Ltd. has commenced to enjoy its tax holiday starting from year 2007.

6. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to equity holders of the Company *(RMB'000)*	**64,238**	53,741
Shares		
Weighted average number of ordinary shares in issue during the period *(in thousands)*	**465,210**	465,210
Basic earnings per share *(RMB per share)*	**13.8 cents**	11.6 cents

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company mainly comprise the share options. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average monthly market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to equity holders of the Company *(RMB'000)*	**64,238**	53,741
Shares		
Weighted average number of ordinary shares in issue *(in thousands)*	**465,210**	465,210
Adjustments assuming the exercise of share options *(in thousands)*	**8,918**	1,115
Weighted average number of ordinary shares for diluted earnings per share *(in thousands)*	**474,128**	466,325
Diluted earnings per share *(RMB per share)*	**13.5 cents**	11.5 cents

7. DIVIDENDS

The 2009 final dividend of HK3.0 cents per ordinary share, totalling HK$13,956,000, shown as RMB12,274,000 was paid in July 2010. The 2008 final dividend of HK2.9 cents per ordinary share, totalling HK$13,491,000, shown as RMB11,888,000 was paid in May 2009.

An interim dividend in respect of the six months ended 30 June 2010 of HK0.88 cents per share, totalling approximately of RMB3,583,000, is proposed. This interim financial information does not reflect such dividend payable.

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interim dividend proposed of HK0.88 cents (2009: HK0.8 cents) per ordinary share	**3,583**	3,279

8. TRADE RECEIVABLES

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:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
0 to 30 days	**82,874**	69,233
31 to 60 days	**66,176**	53,726
61 to 90 days	**53,962**	39,024
91 to 180 days	**45,608**	43,182
181 to 365 days	**15**	107
Over 365 days	**220**	187
	248,855	205,459
Less: Provision for impairment of trade receivables	**(2,707)**	(2,232)
	246,148	203,227

9. TRADE PAYABLES AND BILLS PAYABLE

Included in the balance was trade payables and bills payable amounting to RMB23,232,000 and RMB114,556,000 (31 December 2009: RMB18,955,000 and RMB53,869,000) respectively.

The aging analysis of trade payables and bills payable was as follows:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
0 to 30 days	**37,826**	15,730
31 to 60 days	**22,791**	9,496
61 to 90 days	**23,823**	14,842
91 to 180 days	**50,412**	32,262
181 to 365 days	**129**	163
Over 365 days	**2,807**	331
	137,788	72,824

INTERIM DIVIDEND

The Directors have resolved to pay an interim dividend of HK0.88 cents, equivalent to approximately RMB0.77 cents, per share for the six months ended 30 June 2010 (six months ended 30 June 2009: HK0.8 cents, equivalent to approximately RMB0.7 cents, per share) to the shareholders whose names appear on the register of members of the Company on 5 November 2010.

CLOSURE OF REGISTERS OF MEMBERS

The register of members of the Company will be closed from 3 November 2010 to 5 November 2010, both days inclusive, during which period no transfer of shares shall be effected. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on 2 November 2010.

CHAIRMAN'S STATEMENT

Review

On behalf of the Board of Directors (the "**Board**"), I would like to report to our shareholders the Group's financial results for the six months ended 30 June 2010. The Group recorded a turnover of approximately RMB425 million, representing an increase of 25% compared with corresponding period last year. EBITDA for the period was RMB 102million, a 16% increase from RMB88 million of corresponding period last year. Profit attributable to shareholders increased by 20% to RMB64.2 million. Basic earnings per share amounted to RMB13.8 cents, compared with RMB11.6 cents in the first half of 2009. To thank our shareholders for their enduring support, the Board proposed to declare an interim dividend of HK0.88 cents per share (2009: HK0.8 cents) for the period under review.

Bolstered by the loosened monetary policies and economic stimulus measures implemented by China, U.S, major developed countries and emerging economies, the world's economy started to see signs of stabilization during the first half of 2010. Nevertheless, given that the fundamentals for recovery remained weak and a number of European countries have suffered from serious fiscal deficit and debts, global economic system is still fraught with uncertainties. We believe that the world's economy will be confronted by more challenges.

Notwithstanding relatively weak global market confidence, having gone through acute operational challenges in 2009, most of Chinese manufacturers and exporters have showed better business growth this year. Although the European and the U.S. economies have yet to bounce back to pre-financial crisis levels, the global flavour and fragrance industry has eventually emerged from recession after hitting rock bottom. The perennial demand for order placement from most flavour and fragrance companies around the world has picked up since an unprecedentedly massive inventory reduction in the first half of 2009. The number of orders received by the Group has been rising in line with growing customer demand, and encouraging growth was seen in both number of major products delivered and selling prices. Operating revenue increased by 25 percentage points year on year, showing that the Group's business has been recovering from the violate fluctuation in 2009 and regaining growth momentum.

However, seasonal factors and tight supply have led to rising prices of major raw materials during the period under review, which exerted pressure on the Group's production costs. For example, gum turpentine, one of the Group's major raw materials and a kind of renewable natural resources, was adversely affected by force majeure, such as bad weather during the low supply season. It led to the price of gum turpentine standing at a record high in the first half of 2010. Pressure from rising raw material costs on our profits is intensified during the first half of 2010, especially the first quarter of the year. The Group adopted cost-saving measures, such as raising its product price modestly, adjusting raw material inventory level, saving energy and reducing consumption during the production process and launching new product mix with higher margin to minimize the negative impacts from rising cost of raw materials. As a result of these measures, the gross profit margin slightly improved to 25.9% by 0.2 percentage points from 25.7% of the annual average profit margin last year. As the peak season for raw material supply is approaching, the pressure from rising raw material cost is expected to be mitigated in the second half of the year.

In response to the impacts emanating from the U.S. subprime mortgage crisis on the world's economy and changes in global industrial structure, the Group has reviewed its business positioning and development strategies, setting its development direction and plans for the "post-crisis" period. We also plan to unveil our implementation plans, which will be built on our foundation of operation, on a gradual basis starting from the second half of 2010, and make adjustment and deployment in its annual report.

As part of its strategic plan, the Group has accelerated the construction progress for the production base at Changtai, Fujian Province, which was appropriately postponed last year. The main construction of the project was resumed in the first half of 2010, and we expect to start trial production for new products at this year end after equipment installation and trial run in the second half of 2010. In addition to aroma chemicals, special chemicals such as pharmaceutical intermediates, agrochemicals and functional chemicals will be added to the products mix for phase I of Changtai plant. New production mix will become a new growth driver of the Group's business.

Meanwhile, major technological advancement is being effectively promoted to enhance the Group's core competiveness. Leveraged on the successful trial run in the first half of the year, we plan to upgrade our major facilities from the second half of 2010 to 2011. The new craftsmanship will enable the Group to achieve economies of scale and better cost effectiveness.

Furthermore, during the first half of 2010, the Group has mapped out its upstream integration arrangement actively and prudentially according to its strategies. The Group has also coordinated with its major customers across the globe on technological as well as product development, which paved the way for the implementation of its development strategies in the second half of the 2010 and the upcoming year.

Upholding its operation philosophy of "people-oriented approach" and "advanced technology", the Group has also adhered to its principles of "green chemistry" on its production process and operation, while adopting state-of-the-art fully-automatic devices and equipments. With these competitive edges, the Group is able to stand out above its industry peers despite constantly rising labor costs. During the year, Chinese government has set the rules for the effective minimum wage law, resulting in more negative impacts on labor-intensive manufacturing industry. However, the Group, as an advanced technological manufacturer and service provider, employs high caliber personnel with higher academic qualifications, and offers attractive remunerations which are better than industry level. The effect of minimum wage law on the Group is, therefore, relatively insignificant.

Outlook

Looking ahead to the second half of 2010, the prospects of global economy will remain uncertain, yet driven by the strong demand from emerging economies, global demand for consumer goods will ramp up persistently.

The Group's products, including aroma chemicals and food additives which are essential part of daily necessities, are widely applied in fast-moving consumer products, such as daily chemicals, home care products and processed food. It is expected that the demand for the Group's products will further increase with the mounting global demand. The Group's major customers also show growing optimism towards their business in near term. As such, we have positive outlook on our operation for the second half of 2010.

In view of anticipation on long-term RMB appreciation due to exchange rate reform and worries about rising raw material costs and potential inflation, the Company's profit will continue to be under pressure in the second half of the year. Nevertheless, we are confident of increasing the volumes and prices of our products through constantly optimizing our products, enhancing production effectiveness, integrating upstream resources and strengthening our cooperation with customers, in order to ensure improving our core competitiveness while achieving sustainable business growth.

The Group will continue to carry out its lean management in full scale, including managing effectively the supply chain of raw material procurement while strengthening logistics control so as to improve resources and operation efficiency, and control raw material costs more effectively.

The Group will strive to strengthen its partnership with major international flavor and fragrance customers by launching new, edgy product mix to create higher value for customers. We will also build up platforms for developing special chemicals, medicines and food. In the meantime, the Group will take initiatives in adjusting its product prices in a timely manner according to the market situation when handling its annual orders.

It is expected that, with concerted efforts from various parties, the Group's core business for the second half of 2010 will maintain its growth momentum amidst fluctuation in macro-economy. Barring unforeseeable situations, we reasonably believe that the Group's operation for the second half of 2010 will be better than the corresponding period of 2009.

Furthermore, the Group will actively put its development strategies into practice, including seeking opportunities for upstream integration and making necessary changes to the Group's tradition of raw material supply, while exploring opportunities of horizontal merger and acquisition to create synergies between upstream and downstream sectors.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period under review, thanks to the increase in the total sale volume, the increase in average selling prices of the major products and the optimization of product mix, the Group's turnover reached RMB425.3 million, representing an increase of 25% of the corresponding period last year. With the price of gum turpentine, the major raw material of the Group, sustained at the high level during the period, the Group faced higher cost pressure. Nevertheless, the Group managed to maintain the gross profit margin at 25.9%, which represented a slight improvement from the annual average profit margin last year at 25.7%, by implementing various measures to strictly control direct costs and to transfer part of the costs to customers by raising the product price.

For sales and marketing costs, the expenses accounted for 2.5% of the sales, representing a drop of 0.1 percentage points over 2.6% of the corresponding period last year. The decrease was mainly resulted from the Group's continuous cost control. Administrative expenses increased by RMB5.3 million over the corresponding period last year because the Group reversed RMB3 million provision for impairment of other receivables in the corresponding period last year, which reduced the administrative expenses during that period. With the adoption of more cost-efficient measures by the Group, administrative expenses did not increase considerably despite the expansion of the scale of operation. Total administrative expenses only accounted for 4.1% of the sales.

For finance cost, the interest income and the interest expense in this period was approximately the same as the corresponding period last year. However, the reasons of the net finance costs decreased by RMB3 million in the period under review was mainly because interest expense of RMB1.1 million was capitalised and the exchange gain of RMB0.63 million.

Profit attributable to the equity holders of the Company amounted to RMB64.2 million, representing a increase of 20% over the corresponding period last year. Basic earnings per share for the period were RMB13.8 cents per share. The Board has resolved to declare an interim dividend of HK0.88 cent per share for the period ended 30 June 2010.

Product Review

Aroma Chemicals

The aroma chemicals business, being the Group's core business, resumed the previous growth momentum in the period under review. It provides the Group with stable operating revenue. For the six months ended 30 June 2009, customer's orders have been restored to the normal status and there was an upward adjustment to prices due to increased in the cost of raw materials. Sales of aroma chemicals increased by 34% to RMB295.4 million, accounting for 70% of the Group's sales. The gross profit margin was 25.1%, up slightly from 24.2% for the annual average gross margin last year. Dihydromyrcenol remained a major source of income, generating RMB77.4 million in revenue and, accounting for 26% of the total revenue of this product category. The Group's new aroma chemicals also became a new growth driver for sales, generating revenue of RMB88.6 million during the period. Gross profit margin was 35%.

Natural Extracts

During the period under review, demand for natural extracts of the Group maintained steady growth. Turnover increased 13% to RMB63.6 million, accounting for 15% of the sales of the Group. Gross profit margin was 26.5%, representing a slight increase from 26.4% last year. Natural cinnamic aldehyde was the largest contributor among natural extracts, constituting an income of RMB22.6 million to the Group and accounting for 36% of the total revenue of this product category. The new products are currently in the market exploration process and only generated a small portion of the income. However, these new products have been well received by users.

Intermediates

During the period under review, the Group's intermediates business remained stable. Sales slightly increased 3% over the corresponding period last year to RMB30.2 million, accounting for 7% of the sales of the Group, and the gross profit margin was 52.1%. 3-phenylpropanal aldehyde, a major product of the intermediates, contributed an income of RMB12.0 million to the Group, accounting for 40% of total revenue of this product category.

Trading and Resource Management Products

During the six months ended 30 June 2009, sales of the Group's trading and resource management products increased by 4% to RMB36.0 million from the corresponding period last year. This business segment represented 9% of turnover of the Group with a gross profit margin of 9.4%. As a necessary complement to the core business of the Group, trading and resource management products also contributed to the Group's sales and earnings for the period under review.

Financial Review

Liquidity and Financial Resources

The Group's financial position was solid throughout the period. As at 30 June 2010, the net current assets and the current ratio of the Group were approximately RMB512.3 million (31 December 2009: approximately RMB502.2 million) and 2.2 (31 December 2009: 2.4), respectively. As at 30 June 2010, the Group had cash and cash equivalents of approximately RMB512.2 million (31 December 2009: approximately RMB514.7 million).

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

Capital Structure and Gearing Ratio

As at 30 June 2010, the equity attributable to the Company's equity holders amounted to RMB893.8 million (31 December 2009: RMB840.5 million). Increase in shareholders' funds was mainly attributable to the profit generated in the period less payment of dividend during the period.

Total borrowings as of 30 June 2010 amounted to approximately RMB325.4 million (31 December 2009: RMB352.8 million). The Group's gearing ratio (total debt over total equity) as at 30 June 2010 decreased from 42.0% at 31 December 2009 to 36.4%. However, the Group could maintain the net debt to equity ratio at a net cash surplus position, being cash and cash equivalents plus pledged and unpledged bank deposits less borrowings amounting to RMB237.2 million (31 December 2009: RMB189.1 million).

Treasury Policies and Exposure to Fluctuations in Exchange Rates

The Group's assets, liabilities, revenues and transactions are mainly denominated in Renminbi, United States dollar and Hong Kong dollar with its operation being mainly in the PRC. Bank borrowings were denominated in Renminbi, Hong Kong dollar and United States dollar.

The Group's exposure to foreign exchange fluctuations was caused by the revaluation of Renminbi during the period under review. Nevertheless, the Group has not experienced any material difficulties or effects on its operation or liquidity as a result of fluctuations in currency exchange rate during the period.

Charge on assets

As at 30 June 2010, bank deposit of RMB50.3 million (31 December 2009: RMB27.1 million), certain property, plant and equipment of the Group with an aggregate net book value of about RMB70.0 million (31 December 2009: RMB84.9 million) were pledged to secure the Group's bank borrowings.

Capital expenditure

During the period under review, the Group invested approximately RMB13.1 million and RMB8.6 million respectively in the additions of property, plant and equipment and intangible assets compared with approximately RMB12.1 million and RMB7.9 million respectively for the same period last year.

Capital commitment

As at 30 June 2010, the Group had capital commitments of approximately RMB83.9 million (31 December 2009: RMB21.3 million) in respect of purchases of property, plant and equipment, construction-in-progress, product development projects and land use rights.

Contingent liabilities

As at 30 June 2010, the Group did not have any contingent liabilities. The Company and its subsidiaries executed corporate guarantees as part of securities for the club loans and the general banking facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2010, the Group has 336 full-time employees of whom 332 are based in the PRC and 4 in the Hong Kong office. Remuneration packages offered to the staff are in line with the prevailing market terms and reviewed on a regular basis. Discretionary bonuses may be rewarded to employees after assessment of the Group's and individual performance. Besides salaries and bonus, staff are also entitled to other benefits, including participation in retirement benefits schemes and the share option schemes adopted by the Company pursuant to resolutions in writing of all the shareholders of the Company passed on 16 February 2004. 30,770,000 share options remained outstanding at the period end.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "**Code**") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2010, with deviations from code provisions A.2.1 of the Code in respect of the separate role of chairman and chief executive officer ("**CEO**"). Under the code provisions A.2.1 of the Code, the roles of chairman and CEO should be separate and should 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.

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

During the six months ended 30 June 2010, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms not less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all Directors and all the Directors have confirmed that they have complied with all the relevant requirements as set out in the Model Code throughout the six months ended 30 June 2010.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management in relation to the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited consolidated interim financial information for the six months ended 30 June 2010.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the designated website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.ecogreen.com). The 2010 interim report containing all the information required by The Listing Rules will be despatched to shareholders and will be published on the aforementioned websites in due course.

By order of the Board
EcoGreen Fine Chemicals Group Limited
Yang Yirong
Chairman & President

Hong Kong, 31 August 2010

* *For identification purpose only*

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