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 2011

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 2011 together with the comparative figures for the corresponding period of 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2011

	Note	**Six months ended 30 June**	
		2011	2010
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	*4*	**561,971**	425,259
Cost of goods sold		**(422,438)**	(315,102)
Gross profit		**139,533**	110,157
Other (losses)/gains – net		**(3,445)**	14
Selling and marketing costs		**(13,896)**	(10,555)
Administrative expenses		**(21,447)**	(17,589)
Operating profit	*5*	**100,745**	82,027
Finance costs – net	*6*	**(5,745)**	(6,506)
Profit before income tax		**95,000**	75,521
Income tax expense	*7*	**(14,668)**	(11,303)
Profit for the period		**80,332**	64,218
Attributable to:			
Equity holders of the Company		**80,303**	64,238
Non-controlling interest		**29**	(20)
Profit for the period		**80,332**	64,218
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in RMB per share)			
- Basic	*8*	**16.7 cents**	13.8 cents
- Diluted	*8*	**16.5 cents**	13.5 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	**80,332**	64,218
Other comprehensive income:		
Currency translation differences	**34**	56
Cash flow hedge		
- Fair value change for the period	**(1,561)**	666
- Transfer to finance costs	**–**	644
	(1,527)	1,366
Total comprehensive income for the period	**78,805**	65,584
Attributable to:		
Equity holders of the Company	**78,776**	65,604
Non-controlling interest	**29**	(20)
Total comprehensive income for the period	**78,805**	65,584

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2011

	Note	**30 June 2011 RMB'000 (Unaudited)**	31 December 2010 RMB'000 (Audited)
ASSETS			
Non-current assets			
Land use rights		**9,426**	9,541
Property, plant and equipment		**395,891**	397,316
Intangible assets		**52,416**	52,687
Investments in associates		**6,750**	1,750
Available-for-sale financial assets		**200**	200
		464,683	461,494
Current assets			
Inventories		**167,469**	115,489
Trade receivables	*10*	**342,056**	290,313
Derivative financial instruments		**678**	
Prepayment and other receivables		**138,979**	99,598
Pledged bank deposits		**97,324**	57,961
Cash and cash equivalents		**553,049**	524,409
		1,299,555	1,087,770
Total assets		**1,764,238**	1,549,264
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**51,071**	49,232
Share premium		**205,462**	181,841
Other reserves		**58,769**	65,515
Retained earnings	*12*	**731,018**	660,922
		1,046,320	957,510
Non-controlling interest in equity		**3,497**	3,468
Total equity		**1,049,817**	960,978

	Note	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		**191,663**	184,820
Derivative financial instruments		**3,152**	–
Deferred tax liabilities		**11,400**	10,500
		206,215	195,320
Current liabilities			
Trade payables and bills payable	*11*	**217,282**	157,107
Current income tax liabilities		**7,535**	5,766
Borrowings		**261,182**	205,661
Derivative financial instruments		**337**	668
Accruals and other payables		**20,892**	22,802
Amount due to a director		**978**	962
		508,206	392,966
Total liabilities		**714,421**	588,286
Total equity and liabilities		**1,764,238**	1,549,264
Net current assets		**791,349**	694,804
Total assets less current liabilities		**1,256,032**	1,156,298

1. ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), and in compliance with the Hong Kong Accounting Standard ("**HKAS**") 34, "Interim Financial Reporting" and Interpretations ("**INT**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The accounting policies adopted in these consolidated interim financial statements are consistent with those adopted in the Company's 2010 Annual Report except for the adoption of new Hong Kong Financial Reporting Standards ("**HKFRSs"**), HKASs and Interpretations as disclosed in note 3 below.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 June 2011 have been prepared in accordance with HKAS 34, "Interim Financial Reporting".

These condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of "available-for-sale financial assets", "financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss", which are carried at fair value. The consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010.

3. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

Standards, amendments and interpretations effective in 2011

The Group has adopted all new/revised HKFRSs which were mandatory for the financial year beginning on or after 1 January 2011 and were pertinent to its operations. The applicable HKFRSs are set out below:

HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 34 (Amendment)	Interim Financial Reporting
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments
Third improvements to HKFRSs (2010)	Certain third improvements to HKFRSs (2010) were issued in May 2010 by both IASB and the HKICPA

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 the dates as set out below, but the Group has not early adopted:

HKAS 1 (Amendment)	Presentation of Financial Statements[3]
HKAS 12 (Amendment)	Income Taxes: Deferred Tax – Recovery of Underlying Assets[2]
HKAS 19 (Amendment)	Employee Benefits[4]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurements[4]

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

[2] effective for annual periods beginning on or after 1 January 2012

[3] effective for annual periods beginning on or after 1 July 2012

[4] 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.

4. 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 the sale of goods.

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sale of goods (net of value-added tax)	**561,971**	425,259

(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.

During the six months ended, 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 2011 are as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Manufacturing	**513,129**	389,216
Trading	**48,842**	36,043
Total revenue	**561,971**	425,259
Segment results		
Manufacturing	**121,102**	97,106
Trading	**4,535**	2,497
Unallocated corporate expense – net	**(24,892)**	(17,576)
Finance cost, net	**(5,745)**	(6,506)
Income tax expense	**(14,668)**	(11,303)
Profit for the period	**80,332**	64,218

The segment assets and liabilities as at 30 June 2011 and capital expenditure for the period then ended are as follows:

	30 June	31 December
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Segment assets		
Manufacturing	**1,082,026**	922,216
Trading	**12,233**	35,642
Pledged bank deposits	**97,324**	57,961
Cash and cash equivalents	**553,049**	524,409
Other corporate assets	**19,606**	9,036
Total assets	**1,764,238**	1,549,264

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Segment liabilities		
Manufacturing	**219,520**	163,327
Trading	**6,632**	15,100
Bank borrowings	**443,975**	370,161
Deferred tax liabilities	**11,400**	10,500
Current income tax liabilities	**7,535**	5,766
Other corporate liabilities	**25,359**	24,432
Total liabilities	**714,421**	588,286

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Capital expenditure		
Manufacturing	**18,772**	21,643
Trading	**79**	41
	18,851	21,684

Segment assets consist primarily of land use rights, property, plant and equipment, intangible assets, inventories, receivables and prepayments. 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	
	2011 RMB'000 (Unaudited	2010 RMB'000 (Unaudited)	**2011 RMB'000 (Unaudited**	2010 RMB'000 (Unaudited)
Depreciation	**15,804**	14,332	**64**	58
Amortisation	**4,794**	4,121	**–**	–
Provision for/(reversal of) impairment of inventories	**1,348**	178	**(15)**	(80)
Write-down of inventories	**–**	332	**–**	–
Provision for/(reversal of) impairment of trade receivables	**741**	480	**(218)**	(5)

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
- Mainland China	**315,457**	279,068
- Europe	**113,328**	78,552
- Asia (excluding Mainland China)	**70,330**	41,136
- North America	**40,327**	11,052
- Others	**22,529**	15,451
	561,971	425,259

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

	30 June	31 December
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Total assets		
- Mainland China	**1,667,803**	1,477,821
- Hong Kong	**90,701**	67,041
- Unallocated	**5,734**	4,402
	1,764,238	1,549,264

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.

5. OPERATING PROFIT

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Amortisation of prepaid operating lease payments	**115**	56
Amortisation of intangible assets	**4,679**	4,065
Depreciation	**15,868**	14,390
Loss on disposal of available-for-sale financial assets	**–**	200
Provision for impairment of inventories	**1,333**	98
Write-down of inventories	**–**	332
Provision for impairment of trade receivables	**523**	475
Net exchange loss/ (gains)	**2,444**	(32)

6. FINANCE COSTS - NET

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expense on:		
- Bank borrowings wholly repayable within five years	**(13,242)**	(9,208)
- Government loans wholly repayable within five years	**(189)**	(297)
- Government loans not wholly repayable within five years	**(47)**	(47)
Net foreign exchange gains on financing activities	**4,377**	629
	(9,101)	(8,923)
Less: amount capitalized on qualifying assets	**1,544**	1,151
Finance costs	**(7,557)**	(7,772)
Finance income		
- Interest income on short term bank deposits	**1,812**	1,266
Net finance costs	**(5,745)**	(6,506)

Finance cost capitalised during the period have been calculated by applying a capitalisation rate of 4.4% (six months ended 30 June 2010: 5.9%) per annum on expenditure of qualifying assets.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax		
- Mainland China enterprise income tax	**14,668**	11,303

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 24% (2010: 22%). 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.

8. 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	
	2011	2010
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to equity holders of the Company *(RMB'000)*	**80,303**	64,238
Shares		
Weighted average number of ordinary shares in issue during the period *(in thousands)*	**480,937**	465,210
Basic earnings per share *(RMB per share)*	**16.7 cents**	13.8 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	
	2011	2010
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to equity holders of the Company *(RMB'000)*	**80,303**	64,238
Shares		
Weighted average number of ordinary shares in issue *(in thousands)*	**480,937**	465,210
Adjustments assuming the exercise of share options *(in thousands)*	**7,082**	8,918
Weighted average number of ordinary shares for diluted earnings per share *(in thousands)*	**488,019**	474,128
Diluted earnings per share *(RMB per share)*	**16.5 cents**	13.5 cents

9. DIVIDENDS

An interim dividend in respect of the six months ended 30 June 2011 of HK1.2 cents per share, totalling approximately of RMB4,784,000, is declared. This interim financial information does not reflect such dividend payable.

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interim dividend declared of HK1.2 cents (2010: HK0.88 cents) per ordinary share	**4,784**	3,583

The 2010 final dividend of HK3.8 cents per ordinary share, totalling HK$18,503,000, shown as RMB15,426,000 was paid in June 2011. The 2009 final dividend of HK3.0 cents per ordinary share, totalling HK$13,956,000, shown as RMB12,274,000 was paid in May 2010.

10. 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	31 December
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
0 to 30 days	**106,670**	80,759
31 to 60 days	**81,106**	72,602
61 to 90 days	**57,451**	66,796
91 to 180 days	**100,038**	72,890
181 to 365 days	**215**	198
Over 365 days	**31**	-
	345,511	293,245
Less: Provision for impairment of trade receivables	**(3,455)**	(2,932)
	342,056	290,313

11. TRADE PAYABLES AND BILLS PAYABLE

Included in the balance was trade payables and bills payable amounting to RMB24,081,000 and RMB193,201,000 (31 December 2010: RMB30,330,000 and RMB126,777,000) respectively.

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

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
0 to 30 days	**48,357**	35,574
31 to 60 days	**52,926**	33,212
61 to 90 days	**51,682**	25,362
91 to 180 days	**62,068**	62,645
181 to 365 days	**708**	10
Over 365 days	**1,541**	304
	217,282	157,107

12. RETAINED EARNINGS

	2011 RMB'000 (Unaudited)	2010 RMB'000 (Audited)
At 1 January	**660,922**	550,558
Profit for the period/ year	**80,303**	130,103
Exercise/Cancellation of share options	**5,219**	-
Transfer from retained earnings to statutory reserve	**-**	(3,882)
Dividends:		
2010/2009 final dividend	**(15,426)**	(12,274)
2010 interim dividend	**-**	(3,583)
At 30 June 2011/ 31 December 2010	**731,018**	660,922
Representing:		
Retained earnings	**726,234**	645,496
Declared interim/proposed final dividend	**4,784**	15,426
At 30 June 2011/ 31 December 2010	**731,018**	660,922

INTERIM DIVIDEND

The Directors have resolved to pay an interim dividend of HK1.2 cents, equivalent to approximately RMB0.99 cents, per share for the six months ended 30 June 2011 (six months ended 30 June 2010: HK0.88 cents, equivalent to approximately RMB0.77 cents, per share) to the shareholders whose names appear on the register of members of the Company on 30 September 2011.

CLOSURE OF REGISTERS OF MEMBERS

The register of members of the Company will be closed from 28 September 2011 to 30 September 2011, 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 27 September 2011.

CHAIRMAN'S STATEMENT

Review

On behalf of the Board of Directors (the "Board"), I would like to present the Group's financial results for the six months ended 30 June 2011. During the period, turnover of the Group reached approximately RMB562 million, up 32% from that of the same period in 2010. Earnings before interest, tax, depreciation and amortization ("**EBITA**") was RMB129 million, representing a year on year increase RMB102 million or 26%. Profit attributable to shareholders increased from RMB64.2 million for the same period of last year to RMB80.3 million for this year. Basic earnings per share reached RMB16.7 cents, up 21% from the RMB13.8 cents in 2010. As a token of appreciation to our shareholders for their enduring support, the Board has resolved to declare payment of an interim dividend of HK1.2 cents per share (2010: HK 0.88 cents).

Against the backdrop of the second phase of quantitative easing policy promulgated by the United States Government, the world's economy appeared to be stabilizing in the first half of 2011. However, the tremendous liquidity supply of US dollar has persistently exported inflationary pressure to emerging markets, which result in triggering asset bubbles and social instability around the world. At the same time, significant improvement has yet to be made in regards to the sovereign debt crisis in the European countries, leading to more volatility in the financial markets. The complexity of the global economy is posing escalating challenges to the sustainability of recovery.

Thanks to the Group's relenting efforts and the faster economic growth in emerging markets, the Group achieved a strong and persisting growth in order volume for the six months ended 30 June 2011. With significant growth in production volume and selling prices, the Group's turnover grew by 32%

year-on-year. The Group’s business growth is steadily picking up its pace and returning to the usual double-digit momentum trajectory after the global financial crisis in 2009, which caused a severe destocking.

During the period under review, the cost of key raw materials, such as gum turpentine, continued to hike and hit record levels due to the seasonal supply shortage and traders’ inventory build-up. The escalating inflationary pressure in China also led to increases in manufacturing costs like energy and labor. Part of the cost pressure was offset by the considerable increase in the product selling price. Although most of the customers accepted the adjustment in selling price, substantial efforts were made to improve the gross margin by enhancing facility utilization, launching product mix at higher margins, and implementing cost-tightening measures. Gross profit margin eventually widened 0.1 percentage point when compared with that of the same time last year.

Under the challenging operating environment, the Group will continue to focus on the development of upstream resource supply chain integration and raw material upstream procurement, coupled with the extensive procurement network and effective resources management strategy, which will help secure a more stable supply of raw materials. These strategies will also allow the Group to lock in its key raw material costs on a quarterly basis and mitigate cost pressure from inflation through exploiting better economies of scale. Apart from providing quality product and stable supply, the Group strives to become a total-solutions provider by deepening its strategic partnerships with worldwide flavor and fragrance customers in adherence to its principle of customer service excellence. The Group’s order volume recorded a significant year-on-year increase during the period, a testament of recognition by the Group’s international peers on its proactive business strategies. During the period under review, the Group enhanced its efficiency through increasing facility utilization, unleashing production capacities, initiating technological advancement and optimizing costs.

The Group completed a trial run on the new facilities implemented to Phase I of Changtai Plant, Fujian Province during the period under review. It has scheduled for a trial operation in July and will commence production gradually. The new capacities added to Changtai Plant Phase I will mainly engage in the production of new aroma chemicals and specialty chemicals. The Group is in the planning of specialty chemicals production including pharmaceutical intermediates, crop-protection chemicals, and functional chemicals in the subsequent development phases at Changtai plant.

Meanwhile, the current major technological advancement at Phase I and II of the Haichang Plant progressed effectively. The first set of production facility upgrade equipped with a new technology has undergone trial-run and operation in the second quarter of 2011. Since it is the first time applying this cutting-edge technology in a large-scale industrial production, the Group will initiate technological upgrade on its existing infrastructure facilities and install new reactor devices once the result of trial-run is satisfactory. The production of Terpene-based raw material is expected to increase considerably following the significant enhancement in production scale and efficiency, thus further strengthening the Group’s competitiveness in the world market.

Outlook

While having accomplished notable growth in results for the first half of 2011, the Group envisages that the operating environment will remain complex in the second half of the year, due to the high unemployment rate and deep fiscal deficit in the United States, the unsettling sovereign debt crisis in key European countries, and the tightening fiscal measures in China, which all will pose uncertainties and obstacles to the world's economy recovery. Nevertheless, demand for consumer goods around the world will continue to grow, driven by the domestic demand in emerging economies and the natural disaster in Japan which might speed up the restructuring within the sector. The latter will create an opportunity for the Group to react proactively in the industrial shift and speed up the expansion of its current product mix, while enhancing its competitiveness progressively. Therefore, the Group remains positive about the prospect of the industry and cautiously optimistic about its own business development.

As for the aroma chemicals business, the new facilities of the Changtai Plant has commenced production since the second half of the year and is gradually picking up the capacity utilization. The new product collections of aroma chemicals and specialty chemicals will become the Group's new growth drivers. The Group will introduce more new products in Changtai Plant including pharmaceutical intermediates, crop-protection chemicals, and other specialty chemicals in the coming years, in an effort to expand into areas beyond terpene chemical category and optimize the Group's product mix, diversifying from over-concentration on gum turpentine as raw material.

Following the trial-run of technological advancement in Haichang Plant, the Group expects better cost efficiency, including enhanced capacities, lower energy consumption and production cost can be achieved as the first set of production facility upgrade will commence production in the second half of the year. The Group plans to further upgrade the existing production facilities at Haichang Plant in the coming year. Upon full completion of the technological advancement, production capacity of the major products is expected to enhance significantly with over half of the energy consumption cost saved. The above measures will help the Group reinforce its position as a key provider of terpene chemicals in the world.

In terms of development strategies, the Group is set to improve its overall operating efficiency and better leverage its intrinsic organic growth edges. Firstly, for strategic resources operation, the Group will continue to move its raw material procurement upstream, improve inventory and procurement management, optimize efficiency through integration across the supply chain and keep raw material costs under more effective control. Secondly, the Group will also invest in improving its production facilities, technologies, and knowhow in order to enhance efficiency and consumption of energy, water, and ancillary raw materials. Thirdly, the Group will boost utilization of production facilities and selectively expand its capacities and production scale, to achieve a more optimal resources allocation and increase its market share. Lastly, the Group will continue to control and monitor various costs in terms of production, sales, and others.

Despite the general expectation on RMB appreciation remains intact, prices of major raw materials which had once stayed firm at high levels, have started to decline. The Group is keeping close scrutiny of the changes and paying particular attention to the demand dynamics in the industry downstream, so as to grasp the overall industry landscape and adjust its business strategies accordingly. At the same time, the Group seeks to deepen its partnerships with key flavor and fragrance customers in the world and launch new cutting-edge product mix to create better values for the customers. It will also continue its expansion into specialty chemicals and food additives businesses.

Through efforts in various areas, the Group expects to maintain its growth momentum in the second half of the year, despite the uncertainties in recovery of the world's economy.

While exerting efforts in its organic growth, the Group also strives to continue its vertical integration across the industry chain. The traditional landscape of raw material resources supply will experience a fundamental change. At the same time, the Group will continue to identify accretive opportunities for lateral collaborations and mergers to pursue synergies along the industry supply chain.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period under review, thanks to the increase in the total sale volume and the increase in average selling prices of the major products, the Group's turnover reached RMB562 million, representing an increase of 32% 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 24.8%, which represented a slight improvement from the annual average profit margin last year at 24.7%, 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, almost the same as the corresponding period last year. 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 3.8% of the sales as compared to 4.1% of the corresponding period last year.

For finance cost, the net finance costs decreased by RMB0.76 million in the period under review was mainly because of the Group's balanced RMB and foreign currency loan structure, in which the appreciation of Renminbi in the period caused the exchange gain of RMB4.38 million.

Profit attributable to the equity holders of the Company amounted to RMB80.3 million, representing an increase of 25% over the corresponding period last year. Basic earnings per share for the period were RMB16.7 cents per share. The Board has resolved to declare an interim dividend of HK1.2 cent per share for the period ended 30 June 2011.

Product Review

Aroma Chemicals

The aroma chemicals business, being the Group's core business, sustained the previous growth momentum in the period under review. It provides the Group with stable operating revenue. For the six months ended 30 June 2010, there was an upward adjustment to prices due to increased in the cost of raw materials. Sales of aroma chemicals increased by 38% to RMB407 million, accounting for 72% of the Group's sales. The gross profit margin was 24.5%, up slightly from 24.3% for the annual average gross margin last year. Dihydromyrcenol remained a major source of income, generating RMB109 million in revenue and, accounting for 27% of the total revenue of this product category.

Natural Extracts

During the period under review, demand for natural extracts of the Group maintained steady growth. Turnover increased 16% to RMB74.0 million, accounting for 13% of the sales of the Group. Gross profit margin was 26.5%, representing a slight increase from 23.8% last year. Natural cinnamic aldehyde was the largest contributor among natural extracts, constituting an income of RMB26.5 million to the Group and accounting for 36% of the total revenue of this product category.

Intermediates

During the period under review, the Group's intermediates business remained stable. Sales slightly increased 5% over the corresponding period last year to RMB31.7 million, accounting for 6% of the sales of the Group, and the gross profit margin was 45.7%. 3-phenylpropanal aldehyde, a major product of the intermediates, contributed an income of RMB11.8 million to the Group, accounting for 37% of total revenue of this product category.

Resource Management and Services Business

During the six months ended 30 June 2011, revenue of the Group's resource management and services business increased by 36% to RMB48.8 million from the corresponding period last year. This business segment represented 9% of turnover of the Group with a gross profit margin of 11.8%. As a necessary complement to the core business of the Group, resource management and services business 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 2011, the net current assets and the current ratio of the Group were approximately RMB791 million (31 December 2010: approximately RMB695 million) and 2.6 (31 December 2010: 2.8), respectively. As at 30 June 2011, the Group had cash and cash equivalents of approximately RMB553 million (31 December 2010: approximately RMB524 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 2011, the equity attributable to the Company's equity holders amounted to RMB1,046 million (31 December 2010: RMB958 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 2011 amounted to approximately RMB453 million (31 December 2010: RMB391 million). The Group's gearing ratio (total debt over total equity) as at 30 June 2011 increased from 40.8% at 31 December 2010 to 43.3%. However, the Group could maintain the net debt to equity ratio at a net cash surplus position, being cash and cash equivalents less borrowings amounting to RMB100 million (31 December 2010: RMB134 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 2011, bank deposit of RMB97.3 million (31 December 2010: RMB58.0 million) were pledged to secure the Group's bank borrowings.

Capital expenditure

During the period under review, the Group invested approximately RMB14.5 million and RMB4.4 million respectively in the additions of property, plant and equipment and intangible assets compared with approximately RMB13.1 million and RMB8.6 million respectively for the same period last year.

Capital commitment

As at 30 June 2011, the Group had capital commitments of approximately RMB27.8 million (31 December 2010: RMB25.2 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 2011, 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 2011, the Group has 362 full-time employees of whom 356 are based in the PRC and 6 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. 8,030,000 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 2011, 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 2011, the Company made the following purchases of its own shares on the Stock Exchange:

Month of purchase in 2011	Number of Shares purchased	Purchase consideration per share		Aggregate consideration paid
		Highest	Lowest	
		HK$	HK$	HK$
June	814,000	2.46	2.40	1,973,600

During the six months ended 30 June 2011, the Company repurchased a total of 814,000 of its listed shares on the Stock Exchange. Those repurchased shares were canceled after the period end, and therefore, the Company's issued share capital was reduced with the nominal value of the corresponding repurchased shares amounting to RMB85,000 in July 2011.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the period.

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 2011.

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 2011.

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 2011 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, 25 August 2011

* *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 Mr. Yau Fook Chuen , Mr. Wong Yik Chung, John and Mr. Lau Wang Yip, Derrick.