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 2012

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 2012 together with the comparative figures for the corresponding period of 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2012

	Note	**Six months ended 30 June**	
		2012	2011
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	*4*	**488,309**	561,971
Cost of goods sold		**(364,003)**	(422,438)
Gross profit		**124,306**	139,533
Other gains/(losses) – net		**799**	(3,445)
Selling and marketing costs		**(13,860)**	(13,896)
Administrative expenses		**(22,202)**	(21,447)
Operating profit	*5*	**89,043**	100,745
Finance costs – net	*6*	**(11,032)**	(5,745)
Share of loss of an associate		**(142)**	–
Profit before taxation		**77,869**	95,000
Taxation	*7*	**(17,721)**	(14,668)
Profit for the period		**60,148**	80,332
Profit attributable to:			
Owners of the Company		**60,279**	80,303
Non-controlling interest		**(131)**	29
Profit for the period		**60,148**	80,332
Earnings per share attributable to owners of the Company during the period (expressed in RMB per share)			
- Basic	*8*	**12.5 cents**	16.7 cents
- Diluted	*8*	**12.4 cents**	16.5 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	**60,148**	80,332
Other comprehensive losses:		
Currency translation differences	**(49)**	34
Cash flow hedge		
- Fair value change for the period	**–**	(1,561)
Other comprehensive losses for the period	**(49)**	(1,527)
Total comprehensive income for the period	**60,099**	78,805
Attributable to:		
Owners of the Company	**60,230**	78,776
Non-controlling interest	**(131)**	29
Total comprehensive income for the period	**60,099**	78,805

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2012

	Note	**30 June 2012 RMB'000 (Unaudited)**	31 December 2011 RMB'000 (Audited)
ASSETS			
Non-current assets			
Land use rights		**9,195**	9,310
Property, plant and equipment		**399,505**	387,922
Intangible assets		**46,872**	44,795
Investments in associates		**6,548**	6,691
Deferred income tax assets		**3,215**	5,215
Available-for-sale financial assets		**200**	200
		465,535	454,133
Current assets			
Inventories		**146,568**	151,306
Trade receivables	*10*	**345,525**	362,122
Prepayment and other receivables		**109,627**	128,436
Derivative financial instruments		**–**	2,838
Pledged bank deposits		**111,648**	110,988
Cash and cash equivalents		**689,735**	581,724
		1,403,103	1,337,414
Total assets		**1,868,638**	1,791,547
EQUITY AND LIABILITY			
Equity attributable to owners of the Company			
Share capital		**50,781**	50,872
Share premium		**199,470**	200,383
Other reserves		**64,745**	64,703
Retained earnings	*12*	**807,376**	760,732
		1,122,372	1,076,690
Non-controlling interests		**3,014**	3,145
Total equity		**1,125,386**	1,079,835

	Note	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		**58,667**	114,696
Derivative financial instruments		**887**	973
Deferred tax liabilities		**15,500**	14,000
		75,054	129,669
Current liabilities			
Trade payables and bills payable	*11*	**258,483**	241,784
Current income tax liabilities		**8,889**	5,281
Borrowings		**356,089**	299,297
Derivative financial instruments		**2,428**	5,445
Accruals and other payables		**41,543**	29,322
Amount due to a director		**766**	914
		668,198	582,043
Total liabilities		**743,252**	711,712
Total equity and liabilities		**1,868,638**	1,791,547
Net current assets		**734,905**	755,371
Total assets less current liabilities		**1,200,440**	1,209,504

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 2011 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 2012 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 2011.

3. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

Standards, amendments and interpretations effective in 2012

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 HKFRS are set out below:

HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets

The adoption of the new HKFRS had no material effect on how the results and financial position for the current or prior accounting periods have been 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	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sale of goods (net of value-added tax)	**488,309**	561,971

(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 2012 are as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Manufacturing	**428,662**	513,129
Trading	**59,647**	48,842
Total revenue	**488,309**	561,971
Segment results		
Manufacturing	**108,216**	121,102
Trading	**2,231**	4,535
Unallocated corporate expense – net	**(21,404)**	(24,892)
Finance cost, net	**(11,032)**	(5,745)
Taxation	**(17,721)**	(14,668)
Share of loss of an associate	**(142)**	–
Profit for the period	**60,148**	80,332

The segment assets and liabilities as at 30 June 2012 and capital expenditure for the period then ended are as follows:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Segment assets		
Manufacturing	**1,020,713**	1,050,913
Trading	**27,744**	22,184
Pledged bank deposits	**111,648**	110,988
Cash and cash equivalents	**689,735**	581,724
Other corporate assets	**18,798**	25,738
Total assets	**1,868,638**	1,791,547
Segment liabilities		
Manufacturing	**209,260**	210,856
Trading	**54,843**	38,998
Bank borrowings	**409,136**	405,923
Deferred tax liabilities	**15,500**	14,000
Current income tax liabilities	**8,889**	5,281
Other corporate liabilities	**45,624**	36,654
Total liabilities	**743,252**	711,712

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Capital expenditure		
Manufacturing	**34,014**	18,772
Trading	**8**	79
	34,022	18,851

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 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**	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Depreciation	**15,967**	15,804	**46**	64
Amortisation	**4,458**	4,794	**–**	–
Provision for impairment of inventories	**490**	1,348	**–**	(15)
(Reversal of)/provision for impairment of trade receivables	**(119)**	741	**(36)**	(218)

The Group's sales within the two operating segments are made to customers in four main geographical areas.

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Turnover		
- Mainland China	**349,992**	315,457
- Europe	**56,791**	113,328
- Asia (excluding Mainland China)	**29,472**	70,330
- North America	**34,521**	40,327
- Others	**17,533**	22,529
	488,309	561,971

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

	30 June	31 December
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Total assets		
- Mainland China	**1,829,008**	1,725,912
- Hong Kong	**35,331**	58,286
- Unallocated	**4,299**	7,349
	1,868,638	1,791,547

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	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Amortisation of prepaid operating lease payments	**115**	115
Amortisation of intangible assets	**4,343**	4,679
Depreciation	**16,013**	15,868
Provision for impairment of inventories	**490**	1,333
(Reversal of)/provision for impairment of trade receivables	**(155)**	523
Net foreign exchange (gains)/ losses	**(446)**	2,444

6. FINANCE COSTS - NET

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expense on:		
- Bank borrowings wholly repayable within five years	**(15,700)**	(13,242)
- Government loans wholly repayable within five years	**–**	(189)
- Government loans not wholly repayable within five years	**(41)**	(47)
	(15,741)	(13,478)
Less: amount capitalised on qualifying assets	**1,992**	1,544
Finance costs	**(13,749)**	(11,934)
Finance income		
- Interest income on short-term bank deposits	**3,589**	1,812
Net foreign exchange (losses)/gains on financing activities	**(872)**	4,377
Net finance costs	**(11,032)**	(5,745)

Finance cost capitalised during the period have been calculated by applying a capitalisation rate of 5.1% (six months ended 30 June 2011: 4.4%) per annum on expenditure of qualifying assets.

7. TAXATION

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax		
- Mainland China enterprise income tax	**14,221**	14,668
Deferred tax	**3,500**	–
	17,721	14,668

Notes:

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

The subsidiaries established in Mainland China are subject to Mainland China enterprise income tax at a rate of 25% (2011: 24%). Two of the subsidiaries established in the PRC, Xiamen Doingcom Chemical Co. Ltd. and Xiamen Doingcom Biotechnology Co. Ltd., have 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. and Xiamen Doingcom Biotechnology Co. Ltd. commenced to enjoy their tax holiday starting from year 2007 and 2008, respectively.

8. EARNINGS PER SHARE

Basic

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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company *(RMB'000)*	**60,279**	80,303
Shares		
Weighted average number of ordinary shares in issue *(thousands)*	**484,263**	480,937
Basic earnings per share *(RMB per share)*	**12.5 cents**	16.7 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 comprises 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	
	2012	2011
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company *(RMB'000)*	**60,279**	80,303
Shares		
Weighted average number of ordinary shares in issue *(thousands)*	**484,263**	480,937
Adjustments assuming the exercise of share options *(thousands)*	**1,169**	7,082
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**485,432**	488,019
Diluted earnings per share *(RMB per share)*	**12.4 cents**	16.5 cents

9. DIVIDENDS

An interim dividend in respect of the six months ended 30 June 2012 of HK1 cent per share, totalling approximately of RMB3,951,000 is declared. This interim financial information does not reflect such dividend payable.

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interim dividend declared of HK1 cent (2011: HK1.2 cents) per ordinary share	**3,951**	4,760

The 2011 final dividend of HK3.48 cents per ordinary share, totalling HK$16,822,000, shown as RMB13,635,000 was paid in July 2012. The 2010 final dividend of HK3.8 cents per ordinary share, totalling HK$18,503,000, shown as RMB15,434,000 was paid in June 2011.

10. TRADE RECEIVABLES

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
0 to 30 days	**122,955**	84,756
31 to 60 days	**85,246**	68,254
61 to 90 days	**50,093**	47,759
91 to 180 days	**87,940**	128,302
181 to 365 days	**2,773**	36,709
Over 365 days	**282**	262
	349,289	366,042
Less: Provision for impairment of trade receivables	**(3,764)**	(3,920)
	345,525	362,122

11. TRADE PAYABLES AND BILLS PAYABLE

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Trade payables	**15,137**	18,077
Bills payable	**243,346**	223,707
	258,483	241,784

The aging analysis of trade payables and bills payable based on invoice date was as follows:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
0 to 30 days	**16,438**	27,796
31 to 60 days	**41,300**	73,254
61 to 90 days	**81,518**	53,193
91 to 180 days	**118,235**	86,660
181 to 365 days	**580**	147
Over 365 days	**412**	734
	258,483	241,784

12. RETAINED EARNINGS

	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
At 1 January	**760,732**	660,922
Profit for the period/ year	**60,279**	119,058
Exercise/cancellation of share options	**-**	5,219
Transfer from retained earnings to statutory reserve	**-**	(4,273)
Dividends:		
2011/2010 final dividend	**(13,635)**	(15,434)
2011 interim dividend	**-**	(4,760)
At 30 June / 31 December	**807,376**	760,732

Representing:		
Retained earnings	**803,425**	747,097
Declared interim/proposed final dividend	**3,951**	13,635
At 30 June/ 31 December	**807,376**	760,732

INTERIM DIVIDEND

The Directors have resolved to pay an interim dividend of HK1 cent, equivalent to approximately RMB0.82 cents, per share for the six months ended 30 June 2012 (six months ended 30 June 2011: HK1.2 cents, equivalent to approximately RMB0.99 cents, per share) to the shareholders whose names appear on the register of members of the Company on 28 September 2012.

CLOSURE OF REGISTERS OF MEMBERS

The register of members of the Company will be closed from 26 September 2012 to 28 September 2012, 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 4:30 p.m. on 25 September 2012.

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 2012. During the period, turnover of the Group reached approximately RMB488 million, down 13% from that of the same period last year. Earnings before interest, tax, depreciation and amortization ("**EBITDA**") was RMB114 million, representing a year-on-year decrease of 12% from the EBITDA of RMB129 million in the same period last year. Profit attributable to shareholders decreased 25% to RMB60.3 million. Basic earnings per share were RMB12.5 cents, down 25% as compared to RMB16.7 cents in the first half of 2011. As a token of appreciation to our shareholders for their enduring support during the volatile market, the Board has resolved to declare payment of an interim dividend of HK1 cent per share (2011: HK1.2 cents).

For the six months ended June 30, 2012, after the sharp fluctuations of the global economy in 2011, the overall performance of the economy remained weak. Runaway fears of the European debt crisis, high unemployment rates in Europe and the United States, as well as slowing growth in China and other emerging economies, have all combined to have a negative impact on consumer confidence. Faced with weakening market confidence and falling consumer sentiment, the market prices of fragrance and other fine chemicals and the purchasing power affected by shrinking inventory were still at cyclical lows during the period, leading to a lack of momentum in business growth. Nevertheless, thankfully, the volume and price declines in the second half of 2011 have gradually stabilized in the first half this year.

In face of the difficult operating environment, the Group's operations have improved from the continuous slides last year and began to stabilize during the period under review. Although sales had fallen over the first half last year, mainly due to the substantial price gap, the sales volume has stabilized over the corresponding period last year. When compared with the second half of last year, sales volume have a greater degree of improvement and the price have been stabilized, reflecting a positive and steady recovery trend of the Group's business fundamentals.

Along with the declines of fragrance chemical product prices and sales of the Group year-on-year, the Group’s profit was down compared with the first half last year, but had improved significantly over the second half last year. Operating margin was 25.5% in the first half, an increase of 0.7 percentage point year-on-year, and an increase of 3.5 percentage points when compared to the average of 2011. The main reason was that although prices of some of the products decreased during the period due to lower raw material prices, good services and refined management helped to maintain profit margins above the original levels of related products. In addition, the continued introduction of new products with higher margins as well as a more diversified product mix resulted in the improvement of gross margin in production and operation. It demonstrated that the profitability of the Group has withstood the impact of the adverse market environment and is gradually recovering.

In terms of customer relations, the Group continued to strengthen cooperation with customers during the period despite operational difficulties, by providing solutions to customers through stable quality, timely delivery, and optimized orders structure, thus winning the support from customers even though the industry inventory level is relatively low.

In terms of product mix, the prices of main products fell along with the prices of raw materials. However, delivery volume was maintained at a relatively high level with the support of customers, safeguarding the Group’s global market share of related products. Meanwhile, sales of floral and green note aroma chemicals and various food additives launched in recent years grew consistently, accounting for approximately 25% of the Group’s revenue Group for the period, which will continue to become the Group's new growth engine.

The Group achieved breakthroughs in terms of a major technological upgrade of its equipment and technology. The first set of production facility upgrade using the new generation “Super-jet” reaction industrialized unit in Haicang Plant has completed parametric testing and started trial production. The energy-saving of the new system is significant, while the reaction rate still has further room for improvement. Currently, upgrades are being carried out on the system structure and catalytic system in order to enhance the overall productivity. The upgrades not only improve energy-saving, but also reduce the subsequent large-scale investment in technological advancement, achieving the goal of expanding production capacity and improving efficiency. Besides, the Group is also studying a comprehensive transformation of the other key processes so as to enhance the overall production and operating efficiency. In addition, trial run of Phase I of Changtai Plant, Fujian Province has been gradually scaled up, providing production capacity to new aroma chemicals and specialty chemicals. The cooperation plant in Huanggang, Hubei Province, will also commence trial production at the end of the year. These new production capacities will contribute to the Group's business in the coming two years.

Outlook

During the first half this year, we saw significant easing of the economic decline caused by the European debt crisis last year, as well as natural disasters and geo-political unrest. Structural risks still exist in the euro-zone economy, with high unemployment rate in Europe and the United States, and the outlook of the global economy remains uncertain. But signs of a recovering U.S. economy and moderate growth of the Chinese economy, together with the efforts by governments around the world in cutting debts and stimulating their respective economy, have raised hopes that the global economy will gradually bottom out from the second half.

As the Group's products are widely used in daily necessities, their market demand will continue to improve along with the living standard of the population. In addition, since the end of last year, prices of the Group’s key raw material gum turpentine and other renewable resources have come down to a relatively reasonable level and stabilized. This is an important and positive boost to the cost control and rational development of the aroma chemicals industry. Therefore, the Group has reasons to believe the operating environment of the global fragrance industry will gradually improve in the next 6-18 months. The Group is thus cautiously optimistic on the prospects of the industry.

Regarding our development strategies, (1) leveraging on the strategic advantages of vertical integration across upstream resources and gum turpentine supply chain over the years, the Group has developed the turpentine based value chain that mainly focuses on aroma chemicals. The Group’s product mix will be enriched and extended to functional chemicals that applied in pharmaceutical, special coating materials and surface active agents. Customers and target market segments of the Group will be greatly expanded, while establishing strategic partnerships across the aroma chemical industry chain. In the industry development of alternative resources and petroleum-based raw materials, the Group will, on one hand, establish a more balanced raw material resources supporting system, so as to enhance its competitiveness in the industry; on the other hand, the Group's fine chemicals business will step into a new development platform. (2) The Group is to provide value-added key components and total solutions to the daily necessities industry with growth potential, including food, oral care, washing and cleaning as well as safety solvents. This represents the application development of functional products, and part of the Group’s strategy to expand its downstream industry chain. (3) In research and development, apart from fine-tuning the “hydration jet system”, the Group has started a new round of system upgrades for energy saving, consumption reduction and efficiency improvement. This is part of the implementation of the Group’s sustainable development strategy, with a view to reducing costs effectively and enhancing its competitive advantages. In addition, the commercialization of research and development ties in the Group’s development strategy of accelerating the pace of industrialization of certain major product portfolio, which will be realized in Changtai Plant and the new plant in Huanggang Hubei.

Despite the outlook for the global economy is far from optimistic and economic development in emerging markets is also slowing, EcoGreen is confident that it could capitalize on the opportunities to maintain its competitive advantages in the industry and continue to strive for further development, through the development of the asset value chain, innovative strategy, and efforts in mergers and acquisitions in the industry.

Coupled with prudent financial management, ample operating liquidity, a more proactive sales strategy as well as more stringent cost control measures, we have every reason to expect that the Group will have better performance in the second half of the 2012 financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period, although the global economy had stabilized after the sharp volatility in 2011, the operating environment was still rather difficult. Nevertheless, the sales volume of the Group's products was increased by varying degrees if compared with the first and second half last year. The selling prices of our major raw material, gum turpentine, had significant falls in 2011, resulting in the relatively big decline of market prices of fragrance chemicals products year-on-year; even though gum turpentine prices had stabilized in the first half. On a comparison basis with the second half of 2011, market prices of fragrance chemicals products were stabilizing. As a result of stabilizing sales and declining selling prices, revenue was RMB488 million, a decrease of 13% compared to the same period in 2011. But as the comparison of the sales volume and prices indicates, the Group's business has basically stabilized and resumed an upward recovery trend.

In terms of profits, with the market prices and sales volume of fragrance chemicals products falling year-on-year, the Group's gross profit was affected during the first half of 2012. In addition, most gum turpentine raw materials inventory used in the first quarter was acquired when the cost was higher, therefore adding pressure to the Group's gross profit for the six months ended 30 June 2012. Profit before interest, taxes, depreciation and amortization ("**EBITDA**") decreased compared with the same period last year by 12%, but has risen over the second half of 2011 by 38%. During the period, through the optimization of the Group's product portfolio and a variety of measures to strictly control direct costs, the Group successfully maintained gross margin at the 25.5% level, up 0.7 percentage points compared with the same period last year, and up 3.5 percentage points compared with the average of 2011. The data reflects the profitability of the Group's business has been steadily improving after the Group weathered volatility of the operating environment.

For sales and marketing costs, the expenses were almost the same as the corresponding period last year, down 0.3% in dollar value. However, the relatively small sales base in the current period led to the climb of these expenses to 2.8% of total revenue, up 0.3 percentage point from 2.5% in the corresponding period last year.

In administrative expenses, the dollar value was up 3.5% compared with last year, while expenses as a percentage of sales amounted to 4.5%, a slight increase from 3.8% in the same period last year, mainly due to the increase in the number of employees for the period and the increase in wage levels.

For finance cost, the net finance costs increased by RMB5.29 million in the period under review mainly due to an exchange loss occurred in the Group’s existing balanced foreign currency and Renminbi lending portfolio. There was a sizeable exchange gain of RMB4.38 million in the first half of last year due to the appreciation of the Renminbi. But Renminbi exchange rates were more stable in the first half this year and even saw a slight drop, resulting in an exchange loss of about RMB870,000.

During the period, profit attributable to the equity holders of the Company amounted to RMB60.28 million, representing a decrease of 25% over the corresponding period last year, but a sharp rebound of 56% compared with the second half of 2011. Basic earnings per share for the period were RMB12.5 cents per share.

The Board has resolved to declare an interim dividend of HK1 cent per share for the period ended 30 June 2012.

Product Review

Aroma Chemicals

The aroma chemicals business, being the Group’s core business, provides the Group with stable operating revenue. For the six months ended 30 June 2012, aroma chemicals sales decreased by 20 percent to RMB326 million, accounting for 67% of the Group's sales as sales prices were depressed due to declines in raw materials prices. The gross profit margin was 26.5%, showing a significant improvement from the average full-year gross profit margin of 22.5%.

Natural Extracts

During the period under review, demand for natural extracts of the Group maintained steady growth. Turnover only decreased 4% to RMB71.3 million, accounting for 15% of the sales of the Group. Gross profit margin was 26.6%, representing a slight increase from 26.1% last year.

Intermediates

During the period under review, the Group's intermediates business remained stable. Sales only slightly decreased 3% over the corresponding period last year to RMB30.9 million, accounting for 6% of the sales of the Group, and gross profit margin was 48.2%.

Resource Management and Services Business

During the six months ended 30 June 2012, revenue of the Group's resource management and services business increased by 22% to RMB59.6 million from the corresponding period last year. This business segment represented 12% of turnover of the Group with a gross profit margin of 6.6%. 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 2012, the net current assets and the current ratio of the Group were approximately RMB735 million (31 December 2011: approximately RMB755 million) and 2.1 (31 December 2011: 2.3), respectively.

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 2012, the equity attributable to the Company's equity holders amounted to approximately RMB1,120 million (31 December 2011: RMB1,080 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 2012 amounted to approximately RMB415 million (31 December 2011: RMB414 million). The Group's gearing ratio (total debt over total equity) as at 30 June 2012 decreased from 38.5% at 31 December 2011 to 37.0%.

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 2012, bank deposit of RMB112 million (31 December 2011: RMB111 million) were pledged to secure the Group's bank borrowings.

Capital expenditure

During the period under review, the Group invested approximately RMB27.6 million and RMB6.4 million respectively in the additions of property, plant and equipment and intangible assets compared with approximately RMB14.5 million and RMB4.4 million respectively for the same period last year.

Capital commitment

As at 30 June 2011, the Group had no material capital commitments (31 December 2011: RMB12.2 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 2012, 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 2012, the Group has 420 full-time employees of whom 414 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 2012, 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 2012, the Company made the following purchases of its own shares on the Stock Exchange:

Month of purchase in 2012	Number of shares Purchased	Purchase consideration Per share Highest	Lowest	Aggregate Consideration Paid
		HK$	HK$	HK$
January	726,000	1.69	1.47	1,121,000

During the six months ended 30 June 2012, the Company repurchased a total of 726,000 of its listed shares on the Stock Exchange. Those repurchased shares were canceled at the period end, and therefore, the Company's issued share capital was reduced with the nominal value of the corresponding repurchased shares amounting to RMB91,000.

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 2012.

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 2012.

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 2012 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, 29 August 2012

* *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. Han Huan Guang and Mr. Lin Zhigang, 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.