EcoGreen Fine Chemicals Group Limited

中怡精細化工集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 2341)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

The Board of Directors of EcoGreen Fine Chemicals Group Limited (the "Company") is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2006 are as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		Six months ended 30 June	
		2006	**2005**
		(Unaudited)	**(Unaudited and restated)**
	Notes	*RMB'000*	*RMB'000*
Turnover	*2*	253,510	171,012
Cost of good sold		(173,460)	(105,139)
Gross profit		80,050	65,873
Other gains (net)		1,340	838
Selling and marketing costs		(11,771)	(8,752)
Administrative expenses		(15,508)	(15,466)
Operating profit	*3*	54,111	42,493
Finance costs		(3,334)	(3,357)
Profit before income tax		50,777	39,136
Income tax expense	*4*	(4,301)	(3,408)
Profit for the period		46,476	35,728

* *For identification purposes only*

	Note		
Attributable to:			
Equity holders of the Company		46,468	35,730
Minority interest		8	(2)
		46,476	35,728
Dividends	*5*	3,676	3,885
Earnings per share for profit attributable to the equity holders of the Company during the period			
– Basic	*6*	RMB10.1 cents	RMB8.6 cents
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	30 June 2006 (Unaudited) *RMB'000*	31 December 2005 (Audited) *RMB'000*
ASSETS		
Non-current assets		
Property, plant and equipment	181,862	184,144
Land use rights	4,900	4,955
Intangible assets	22,789	22,705
Available-for-sale financial assets	400	400
Total non-current assets	209,951	212,204
Current assets		
Inventories	40,482	33,306
Trade receivables	98,008	101,771
Prepayments and other receivables	24,717	40,558
Available-for-sale financial assets	–	300
Pledged bank deposits	10,293	–
Bank deposits with original maturity over three months	–	3,122
Cash and cash equivalents	314,322	257,908
Total current assets	487,822	436,965
Total assets	697,773	649,169

EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	48,778	48,778
Other reserves	211,113	209,747
Retained earnings		
– Proposed final dividend	3,676	5,758
– Others	223,334	180,502
	486,901	444,785
Minority interest	237	229
Total equity	487,138	445,014
LIABILITIES		
Non-current liabilities		
Borrowings	11,891	5,000
Deferred income on government grants	–	20
Total non-current liabilities	11,891	5,020
Current liabilities		
Borrowings	118,616	117,824
Trade and bills payables	42,068	48,061
Accruals and other payables	34,638	30,568
Deferred income on government grants	76	114
Amounts due to directors	168	159
Current income tax liabilities	3,178	2,409
Total current liabilities	198,744	199,135
Total liabilities	210,635	204,155
Total equity and liabilities	697,773	649,169
Net current assets	289,078	237,830
Total assets less current liabilities	499,029	450,034

Notes:

1. Basis of preparation

This unaudited condensed consolidated interim financial information of the Company has been prepared in accordance with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

Certain comparative figures have been restated to conform to the current period presentation. The change relates to a more meaningful restatement in share-based payment and impairment of goodwill, as follows:

	Six months ended 30 June 2005 (Unaudited) *RMB'000*
Recognition of share-based payments as expenses in relation to share options granted on 8 June 2004	2,676
Increase in impairment of goodwill	379
Decrease in profit	3,055

2. Sales and segment information

(a) Sales

The Group is principally engaged in the production of fine chemicals from natural resources for use in aroma chemicals and pharmaceutical products and supply of natural materials and fine chemicals.

(b) Segment information

Primary reporting format – business segment

As at 30 June 2006, the Group is organised into two main business segments:

(1) manufacturing and selling of fine chemicals; and

(2) trading of natural materials and fine chemicals.

The segment results for the six months ended 30 June 2006 are as follows:

	Manufacturing (Unaudited) *RMB'000*	**Trading (Unaudited)** *RMB'000*	**Total (Unaudited)** *RMB'000*
Sales	194,507	59,003	253,510
Operating profit	56,338	1,545	57,883
Unallocated corporate expenses			(3,772)
Finance costs			(3,334)
Profit before income tax			50,777
Income tax expense			(4,301)
Profit for the period			46,476

The segment results for the six months ended 30 June 2005 are as follows:

	Manufacturing (Unaudited and restated) *RMB'000*	**Trading (Unaudited and restated)** *RMB'000*	**Total (Unaudited and restated)** *RMB'000*
Sales	156,663	14,349	171,012
Operating profit	48,088	227	48,315
Unallocated corporate expenses			(5,822)
Finance costs			(3,357)
Profit before income tax			39,136
Income tax expense			(3,408)
Profit for the period			35,728

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

	Manufacturing Six months ended 30 June		Trading Six months ended 30 June	
	2006 (Unaudited)	**2005 (Unaudited and restated)**	**2006 (Unaudited)**	**2005 (Unaudited) and restated)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation	5,040	2,796	23	17
Amortisation	1,220	1,070	–	–
Impairment of goodwill	–	379	–	–
Provision for/(reversal of) impairment of inventories	192	170	(8)	14
Provision for impairment of trade receivables	57	758	27	340

Secondary reporting format – geographical segment

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

	Six months ended 30 June	
	2006 (Unaudited)	**2005 (Unaudited)**
	RMB'000	*RMB'000*
Sales		
– Mainland China	164,276	117,062
– Europe	18,571	26,805
– Asia (excluding Mainland China)	43,070	20,872
– Others	27,593	6,273
	253,510	171,012

3. Operating profit

Operating profit is stated after charging and crediting the following:

	Six months ended 30 June	
	2006 (Unaudited)	**2005 (Unaudited)**
	RMB'000	*RMB'000*
Charging		
Depreciation of property, plant and equipment	5,568	2,926
Less: Amount included in product development cost	(505)	(130)
	5,063	2,796

	Six months ended 30 June	
	2006	**2005**
	(Unaudited)	**(Unaudited)**
	RMB'000	*RMB'000*
Amortisation of:		
– intangible assets	1,165	1,015
– prepaid operating lease payments	55	55
Crediting		
Interest income from bank deposits	1,283	781
Amortisation of deferred income on government grants	57	57

4. Income tax expense

	Six months ended 30 June	
	2006	**2005**
	(Unaudited)	**(Unaudited)**
	RMB'000	*RMB'000*
Current income tax		
– Mainland China enterprise income tax	4,301	3,408

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 15% (2005: 15%), except:

(i) In February 2002, Xiamen Sinotek Enterprise Development Co., Ltd. transformed from a domestic enterprise to a wholly foreign owned enterprise and is exempted from Mainland China Tax Bureau for payment of enterprise income tax for two years starting from the first year of profitable operations after offsetting prior years' tax losses, followed by a 50% reduction in enterprise income tax for the following three years; and

(ii) In August 2003, Xiamen Doingcom Chemical Co., Ltd. was accredited as a New High Technology Enterprise and accordingly is exempted from payment of enterprise income tax for two years starting from the first year of production.

5. Dividends

	Six months ended 30 June	
	2006	**2005**
	(Unaudited)	**(Unaudited)**
	RMB'000	*RMB'000*
Interim dividend proposed of HK0.8 cents (2005: HK0.8 cents) per ordinary share	3,676	3,885

During the six months ended 30 June 2006, a 2005 final dividend of HK1.2 cents, shown as RMB1.24 cents, (2004 final: HK1.75 cents, shown as RMB1.84 cents) per ordinary share, totalling HK$5,532,000, shown as RMB5,718,000 was paid in June 2006 (six months ended 30 June 2005: HK$7,263,000, shown as RMB7,650,000).

6. Earnings per share

The calculation of basic earnings per share for profit attributable to equity holders of the Company is based on the Group's profit for the period attributable to equity holders of the Company of approximately RMB46,468,000 (six months ended 30 June 2005: RMB35,730,000 (restated)) and on the number of 461,000,000 (2005: 415,000,000) ordinary shares in issue during the period.

No diluted earnings per share has been presented because the exercise price of the Company's share options was higher than the average market price of the Company's shares during the period.

INTERIM DIVIDEND

The Directors have resolved to pay an interim dividend of HK0.8 cents, equivalent to approximately RMB0.82 cents, per share for the six months ended 30 June 2006 (six months ended 30 June 2005: HK0.8 cents, equivalent to approximately RMB0.83 cents, per share) to the shareholders whose names appear on the register of members of the Company on 10 November 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 8 November 2006 to 10 November 2006, 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, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on 7 November 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first six months of the period under review, global fine chemical industry witnessed exponential expansion due to favourable economic environment. Downstream industries using the Group's products, such as the flavour and fragrance industry, food and beverage industry, personal care industry, household care industry and pharmaceutical industry, have all maintained their growth momentum. This coupled with other favourable factors such as the migration of the industry to emerging countries and the increase in domestic consumption power has fuelled the rapid development of the fine chemical industry in emerging countries such as the PRC. As such, the Group's three major business segments all recorded actual growth.

Although the macro economic environment during the first six months was satisfactory, uncertainties arising from high raw material prices, renminbi appreciation and interest rate hikes continued to take their toll, placing larger upward pressure on operating cost of the industry. However, leveraging its solid foundation in the industry, the Group proactively adopted various effective measures in its operating strategy, in addition to applying its research and investment results in enhancing productive capacity in the phase II expansion project which was completed in October last year. As a result, the productive capacity was increased by half, the production cost was significantly reduced and the production yield was lifted. All these measures not only slashed the overall operating cost, but also enhanced the Group's competitiveness remarkably and helped minimizing the impacts of the various detrimental and uncertain factors.

During the six months ended 30 June 2006, the Group's turnover amounted to RMB253,500,000, representing a rapid growth of 48%. Excluding the revenue from trading and resource management products, turnover reached RMB194,500,000, still achieving a steady growth of 24% when compared with the corresponding period last year. Turnover from products for overseas export also grew rapidly by 65% to RMB89,200,000. Such turnover accounted for 35% of the Group's total turnover, representing a growth of 3% from the corresponding period last year. As the trading and resource management business have a lower profit margin, it has dragged down the overall gross profit margin of the Group to 31.6% from 38.5% as recorded in the corresponding period last year. Nevertheless, this non-core business has a certain profit contributions to the Group. Excluding the contribution from trading and resource management products, the gross profit of the Group's self-manufactured products during the first six months was 38.3%, representing only a slight decrease of 2.9% from 41.2% as recorded in the corresponding period last year.

The export and, trading and resource management business continued to expand during the period under review, resulting in the controlled increase in sales and marketing cost such as transportation and insurance cost to RMB11,800,000 from RMB8,800,000 of the corresponding period last year. The proportion of such cost to sales decreased to 4.6% from 5.1% of the corresponding period last year. Administrative expenses during the first half of the year amounted to RMB15,500,000, a level similar to that of the corresponding period last year. The proportion of such expenses to sales decreased to 6.1% from 9.0% of the corresponding period last year, showing that the Group has achieved higher economies of scale.

Due to the above factors, profit attributable to the equity holders of the Group during the period increased 30% to RMB46,500,000 and the net profit margin was 18.3%, down from 20.9% of the corresponding period last year. Earnings per share during the period rose 17% to RMB10.1 cents. The Board of Directors has resolved to declare an interim dividend of 0.8 HK cents for the period ended 30 June 2006.

PRODUCT REVIEW

The analysis of turnover and gross profit of the Group's various products for the six months ended 30 June 2006 and 30 June 2005 are as follows:

	Turnover For the six months ended 30 June		**Gross profit For the six months ended 30 June**	
	2006	**2005**	**2006**	**2005**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Aroma chemicals	123,498	92,174	40,009	29,885
Natural extracts	42,609	37,996	15,795	13,977
Intermediates	28,401	26,493	18,657	20,606
Trading and resource management	59,002	14,349	5,589	1,405
Turnover/gross profit of the Group	253,510	171,012	80,050	65,873

Aroma Chemicals

Aroma chemicals continued to be the Group's core business during the period under review, and brought a significant and stable operating revenue for the Group. For the six months ended 30 June 2006, sales of aroma chemicals surged 34% to RMB123,500,000, accounting for 49% of the Group's sales. Gross profit margin was 32.4%, which is similar to 32.4% recorded in the corresponding period last year. Dihydromyrcenol was an important contributor which brought a revenue of RMB42,600,000 to the Group. Its sales increased 60% over the corresponding period last year.

Phase II expansion of Haicang Plant, completed in October last year has enhanced the Group's annual processing capacity of botanic essential oil from 11,000 metric tonnes to 16,000 metric tonnes, and provided a larger room for growth for the Group. Meanwhile, the long-term partnership established between the Group and its major clients enables the Group to secure adequate orders under the benefit of the strengthening trend of industry migration. Leveraging on the Group's own development and its introduction of technological results, significant advancement in production, installation and workflow technology has been made in the Phase II expansion project, and has contributed to the improvement of the overall production technology. Therefore, the results of the Group's aroma chemical business in the first half of the year reflected not only the growth of sales driven by the improvement of productivity, but also the further reduction of production cost and the integrated benefit resulted from the increase in production yield under the economies of scale achieved after expansion and technological advancement.

Natural Extracts (Formerly known as Natural Pharmaceutical Raw Materials)

The unremitting launch of new product series produced by similar natural extraction and purification technology enabled the Group to expand its natural extract product business to areas beyond pharmaceutical products. Therefore, the use of the term natural extracts as the collective designation of this business reflects business development in that category and denotes a broader scope of products. In addition to the original natural pharmaceutical raw materials used for the production of modern Chinese drugs and healthcare products, natural extracts include food ingredients of natural seafood extracts and meat extracts for the production of flavours and seasonings.

During the period under review, the Group's natural extract business maintained steady growth because demand for downstream products rose on the back of improving living standard and increasing health consciousness while the quality of the Group's products were widely recognized. Turnover of this segment increased 12% to RMB42,600,000, accounting for 17% of the Group's sales. Gross profit margin was 37.1%, slightly up from 36.8% of last year. The performance of the segment of Natural Cinnamic Aldehyde was relatively more outstanding. This segment contributed a revenue of RMB13,200,000 to the Group and the growth of sales over the corresponding period last year reached 52%. Other major products include Eugenol and Eucalyptol.

Intermediates (Formerly known as Chiral Pharmaceutical Raw Materials and Pharmaceutical Intermediates)

The unremitting launch of new products enabled the Group to expand its business to areas beyond Chiral Pharmaceutical Raw Materials and Pharmaceutical Intermediates. Therefore, using the term intermediates as the collective designation of this business segment is more appropriate and denotes a broader scope of products. Products originally classified as Chiral Pharmaceutical Raw Materials and Pharmaceutical Intermediates are now included under intermediates. In addition to chiral pharmaceutical raw materials and pharmaceutical intermediates which are used as the major synthetic raw materials for the production of numerous popular drugs, intermediates include agro-chemical intermediates used for regulating the growth of plants.

During the period under review, products developed by Shanghai Fine Chemical Co., Ltd ("SFC"), a company acquired by the Group, were commercialized and launched into the market. The quality of existing products has been widely recognised but since new orders remain steady for the new products, the profit contribution from new products has not been reflected, and the existing products are under the severe market competition, therefore, the Group's intermediate business has only recorded slight growth of 7% to RMB28,400,000, accounting for 11% of the Group's sales. Gross profit margin dropped to 65.7% from 77.8% of the corresponding period last year. However, the gross profit margin of this product category of the Group is still higher than its peers in the industry. 3-Phenylpropanal Aldehyde is the major product of the intermediate business segment. Its sales accounted for 38% of the overall sales of this segment and contributed a revenue of RMB10,900,000 to the Group. Other major products include Alpha — Phenylethyl alcohol, Resveratrol and PTMI (a kind of intermediates used for regulating the growth of plants).

Trading and Resource Management (Formerly known as Trading Products)

In the past, the Group's trading product business is only supplemental to its core business and comprises mainly the integrated sales of the raw materials of aroma chemicals. During the period, taken into account the persistent high market prices of upstream raw materials and the increase in the demand for relevant raw materials not produced by the Group, the Group has focused its trading business on the effective management of relevant resources, including mainly gum turpentine and other special botanic essential oils. For the six months ended 30 June 2006, sales of the Group's trading and resource management business amounted to RMB59,000,000, accounting for 23% of the Group's turnover. Gross profit of trading and resource management business reached approximately

RMB5,600,000. As a necessary supplement to the Group's core business, the trading and resource management business brought sales and profit contribution to the Group during the period under review.

The major objective of integrated sales is to improve the quality of the Group's sales services so as to consolidate the Group's relationship with its clients and satisfy the robust demand of its existing clients. Since there are numerous types of aroma chemicals, the Group provides its clients with aroma chemicals not produced by the Group, so as to provide a more comprehensive product portfolio and value-added services to its clients and realise product diversification. Meanwhile, since natural resources are in increasing shortage and prices are rising, the Group will lift the strategic value of resource management. In order to ensure a more effective deployment of turpentine resources, the Group will launch into the overseas market turpene-related products which are closely related to turpentine.

PROSPECT

Looking towards the second half of the year, the performance of the global economy looks increasingly uncertain, mainly clouded by factors such as high oil price and rising interest rate. Nevertheless, it is expected that the economy of China, Hong Kong and other emerging countries and in particular the fine chemical industry will still maintain their strong growth momentum in the second half of 2006. In the downstream industries of fast-moving-consumer-goods and daily necessities, the Group's products are mainly applied as functional ingredients and key components such as flavour and fragrance products, food and beverage products, personal and household healthcare products and pharmaceutical products. These fast-moving-consumer-goods and daily necessities are less sensitive to cyclical economic fluctuations as compared with products of other industries. Besides, the demand for upstream products from these industries remain strong due to the global trend of industry migration. Therefore, the Group's business still has a global large room for development.

Although the upward pressure of raw material cost is a reality that the entire industry must face, the Group will continue to implement various proactive measures to cope with it. The Group will mainly focus on the implementation of strategies on resource management, which include setting up a dedicated resource operation department and carrying out forward integration in the supply chain management of raw material procurement by commencing resource management instead of keeping a strategic reserve of raw materials and converting raw material procurement from a cost centre to a profit centre, so as to control raw material cost effectively and capture additional profit from resource management.

Meanwhile, the Group also adopted a balanced mechanism on resources deployment implying that natural renewable resources be supported by petrochemical resources.

As regard the operating strategies, the global industry has coped with the increase in the prices of raw materials by lifting the prices of their products and major clients from all over the world have gradually accepted the reality of rising product prices this year. On the other hand, the Group innovates and improves its existing techniques and technology on an ongoing basis with the view to controlling cost. Under the premise of ensuring product quality, the Group increases its production yield and improves its production efficiency. The workflow at all levels, including the frontline departments, the research and development department and the supporting departments were redesigned so as to reduce the overall operating cost. The above measures will enable the Group to maintain its leading cost advantage and further enhance its competitiveness in the international markets. In addition, the Group has hedged against the pressure on the appreciation of renminbi by strengthening its international trade management.

Exclusive innovative technology and industry experience remain the key to protecting the Group's core competitiveness and enable the Group to strengthen its partnership with leading international flavour and fragrance companies. The Group will continue to launch new product mix that cater for the market of fast-moving-consumer-goods and the needs of its major customers. New products include important flavors and natural food extracts used in food and beverage. It is expected that the new products will bring new contribution to the Group.

The construction of Phase III project will be commenced in the second half of the year and be completed by stages. The objective of the first phase is to have a brand new and advanced multifunctional production workshop completed and put into operation in the second half of 2007. The new multifunctional workshop will be equipped with multifunctional fine chemical installation skills that are the most advanced in the world and environmental friendly. The workshop will have multi-purpose reactor, precision separation & extraction unit, Special purpose unit and Clean production zone. In line with Phase III project, the Group will continue to step up its efforts in market exploration, international cooperation, research and development of technologies and its integration and development with SFC, so as to expand its new high-value added product series which include aroma chemicals, natural extracts and intermediates.

In view of the above prospects and the operation forecast of the Group in the second half of the year, the Group will remain cautiously optimistic about its operation in the second half of the year, and expect a better performance in the growth rate of its sales revenue in the second half of the year.

FINANCIAL REVIEW

Liquidity and Financial Resources

During the period under review, the Group's primary source of funding was derived from the cash generated from operating activities. The Group's capability in working capital management attributed a net cash inflow from operating activities amounting to approximately RMB65.8 million (six months ended 30 June 2005: approximately RMB14.3 million).

The Group's financial position was solid throughout the period. As at 30 June 2006, the net current assets and the current ratio of the Group were approximately RMB289.8 million (31 December 2005: approximately RMB237.8 million) and 2.4 (31 December 2005: 2.2), respectively. As at 30 June 2006, the Group had cash and cash equivalents of approximately RMB314.3 million (31 December 2005: approximately RMB257.9 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 to meet its commitments, working capital requirements and future investments for expansion.

Capital Structure and Gearing Ratio

As at 30 June 2006, the equity attributable to the Company's equity holders amounted to RMB486.9 million, representing RMB1.06 per share (31 December 2005: RMB444.8 million, representing RMB0.96 per share). Increase in shareholders' funds was mainly attributable to the profit generated in the period less payment of dividend during the period.

The Group's debt to equity ratio as at 30 June 2006, was decreased from 28% at 31 December 2005 to 27%. The Group's net cash balance, being cash and cash equivalents plus pledged and unpledged bank deposits less borrowings amounted to RMB194.1 million (31 December 2005: RMB138.2 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 dollars and Hong Kong dollars with its operation mainly in the PRC. Bank borrowings were denominated in Renminbi and Hong Kong dollars.

The Group's forecast exposure to the 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 fluctuation in currency exchange rate during the period.

Charge on assets
As at 30 June 2006, bank deposit of RMB10.3 million (31 December 2005: RMBnil), certain property, plant and equipment of the Group with an aggregate net book value of about RMB32.2 million (31 December 2005: RMB32.2 million) and land use rights of RMB4 million (31 December 2005: RMB4 million) were pledged to secure the Group's bank borrowings.

Capital expenditure
During the period under review, the Group invested approximately RMB3.3 million and RMB1.2 million respectively in the additions of property, plant and equipment and intangible assets compared to approximately RMB28.0 million and RMB0.8 million respectively for the same period last year.

Contingent liabilities
As at 30 June 2006, neither the Group nor the Company had any contingent liabilities.

Employees and remuneration policy
As at 30 June 2006, the Group has 257 full-time employees of which 250 are based in the PRC and 7 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 the individual's 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. 57,445,000 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 2006, 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.

OTHER INFORMATION

Model codes for securities transactions by directors of listed companies (the "Model code")

The Company has adopted a code of conduct with standards not lower than those prescribed under the Model Code as set out in Appendix 10 to the Listing Rules for securities transactions by Directors. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards as set out in the Model Code and the Company's code of conduct regarding securities transactions by Directors throughout the six months ended 30 June 2006.

Purchase, sale or redemption of the company's listed shares

During the six months ended 30 June 2006, 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.

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 condensed consolidated interim financial information for the six months ended 30 June 2006.

BOARD OF DIRECTORS
As at the date of this announcement, the executive Directors are Mr. Yang Yirong, Mr. Gong Xionghui, Ms. Lu Jiahua, Mr. Lin Like and Mr. Han Huan Guang; the non-executive Director is Mr. Feng Tao; and the independent non-executive Directors are Mr. Yau Fook Chuen, Mr. Wong Yik Chung, John and Dr. Zheng Lansun.

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

Hong Kong, 13 September 2006

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