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)

2007 INTERIM RESULTS ANNOUNCEMENT

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 2007 are as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		Six months ended 30 June	
		2007	**2006**
		(Unaudited)	**(Unaudited)**
	Note	*RMB'000*	*RMB'000*
Turnover	*3*	287,959	253,510
Cost of good sold		(187,799)	(173,460)
Gross profit		100,160	80,050
Other (losses)/gains – net		(1,654)	1,340
Selling and marketing costs		(11,499)	(11,771)
Administrative expenses		(17,464)	(15,508)
Operating profit	*4*	69,543	54,111
Finance costs		(3,625)	(3,334)
Profit before income tax		65,918	50,777
Income tax expense	*5*	(4,868)	(4,301)
Profit for the period		61,050	46,476
Attributable to:			
Equity holders of the Company		61,080	46,468
Minority interest		30	8
		61,050	46,476
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in RMB per share)			
– basic	*7*	RMB13.2 cents	RMB10.1 cents
– diluted		RMB12.6 cents	N/A
Dividends	*6*	4,537	3,676

* *For identification purposes only*

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	30 June 2007 (Unaudited) *RMB'000*	31 December 2006 (Audited) *RMB'000*
ASSETS		
Non-current assets		
Property, plant and equipment	258,668	216,012
Land use rights	8,816	8,851
Intangible assets	38,016	29,261
Available-for-sale financial assets	400	400
	305,900	254,524
Current assets		
Inventories	63,806	38,932
Trade receivables	133,554	114,904
Prepayments and other receivables	24,149	25,819
Available-for-sale financial assets	100	100
Pledged bank deposits	41,324	47,626
Cash and cash equivalents	300,205	312,990
	563,138	540,371
Total assets	869,038	794,895
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	49,653	48,778
Other reserves	228,512	209,970
Retained earnings		
– Proposed dividend	4,537	10,493
– Others	313,942	263,595
	596,644	532,836
Minority interest	1,694	224
Total equity	598,338	533,060

	30 June 2007 (Unaudited) *RMB'000*	31 December 2006 (Audited) *RMB'000*
LIABILITIES		
Non-current liabilities		
Borrowings	8,248	11,698
Current liabilities		
Trade payables and bills payable	85,576	91,808
Accruals and other payables	18,941	28,231
Current income tax liabilities	1,973	2,920
Borrowings	152,271	123,138
Amount due to a director	177	141
Amount due to a related company	–	3,880
Derivative financial instruments	3,514	–
Deferred income on government grants	–	19
	262,452	250,137
Total liabilities	270,700	261,835
Total liabilities and equity	869,038	794,895
Net current assets	300,686	290,234
Total assets less current liabilities	606,586	544,758

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 ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

These condensed consolidated interim financial information were approved for issue on 19 September 2007.

2. **Accounting policies**

The unaudited condensed consolidated interim financial information have been prepared on a basis consistent with the principal accounting policies adopted in the 2006 annual accounts with the addition of certain new standards and interpretations of Hong Kong Financial Reporting Standards ("HKFRS") issued and effective as at the time of preparing this information. Where applicable, the comparatives have been amended as required.

In 2007, the Group adopted the following new or revised standards and interpretations of HKFRS:

HK(IFRIC)-Int 7 "Applying the Restatement Approach under HKAS 29"

HK(IFRIC)-Int 8 "Scope of HKFRS 2"

HK(IFRIC)-Int 9 "Reassessment of Embedded Derivatives"

HKFRS 7 "Financial Instruments: Disclosures"

HKAS 1 (Amendment) "Presentation of Financial Statements: Capital Disclosures"

The adoption of such standards or interpretations does not result in substantial changes to the Group's accounting policies and has no significant effect on the results reported for the first half of 2007.

3. **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 2007, 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 2007 are as follows:

	Manufacturing (Unaudited) *RMB'000*	Trading (Unaudited) *RMB'000*	Total (Unaudited) *RMB'000*
Sales	255,714	32,245	287,959
Operating profit	77,666	243	77,909
Unallocated corporate expenses			(8,366)
Finance costs			(3,625)
Profit before income tax			65,918
Income tax expense			(4,868)
Profit for the period			61,050

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

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

	Manufacturing Six months ended 30 June		Trading Six months ended 30 June	
	2007 (Unaudited) *RMB'000*	2006 (Unaudited) *RMB'000*	2007 (Unaudited) *RMB'000*	2006 (Unaudited) *RMB'000*
Depreciation	5,573	5,040	48	23
Amortisation	1,149	1,220	–	–
Provision for/(reversal of) impairment of inventories	635	192	3	(8)
Provision for/(reversal of) impairment of trade receivables	(54)	57	27	27

Secondary reporting format – geographical segment

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

	Six months ended 30 June 2007 (Unaudited) *RMB'000*	2006 (Unaudited) *RMB'000*
Sales		
– Mainland China	193,225	164,276
– Europe	42,357	18,571
– Asia (excluding Mainland China)	38,511	43,070
– Others	13,866	27,593
	287,959	253,510

4. Operating profit

Operating profit is stated after charging and crediting the following:

	Six months ended 30 June 2007 (Unaudited) *RMB'000*	2006 (Unaudited) *RMB'000*
Charging		
Depreciation	5,792	5,568
Less: Amount included in product development cost	(171)	(505)
	5,621	5,063
Amortisation of:		
– intangible assets	1,114	1,165
– prepaid operating lease payments	35	55
Realised and unrealised loss on interest rate swaps – net	3,514	–
Crediting		
Interest income from bank deposits	1,861	1,283
Amortisation of deferred income on government grants	19	57

5. Income tax expense

	Six months ended 30 June 2007 (Unaudited) *RMB'000*	2006 (Unaudited) *RMB'000*
Current income tax		
– Mainland China enterprise income tax	4,868	4,301

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

6. Dividends

	Six months ended 30 June	
	2007	**2006**
	(Unaudited)	**(Unaudited)**
	RMB'000	*RMB'000*
Interim dividend proposed of HK1 cents (2006: HK0.8 cents) per ordinary share	4,537	3,733

During the six months ended 30 June 2007, a 2006 final dividend of HK2.30 cents, shown as RMB2.276 cents, (2005 final: HK1.20 cents, shown as RMB1.241 cents) per ordinary share, totalling HK$10,603,000, shown as RMB10,493,000 was paid in June 2007 (six months ended 30 June 2006: HK$5,532,000, shown as RMB5,720,000).

7. 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 year.

	Six months ended 30 June	
	2007	**2006**
	(Unaudited)	**(Unaudited)**
	RMB'000	*RMB'000*
Profit for the period attributable to equity holders of the Company	61,080	46,468
Weighted average number of ordinary shares in issue (thousands)	462,905	461,000
Basic earnings per share (expressed in RMB per share)	RMB13.2 Cents	RMB10.1 Cents

Diluted

Diluted earnings per share is calculated 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.

INTERIM DIVIDEND

The Directors have resolved to pay an interim dividend of HK1 cents, equivalent to approximately RMB0.97 cents, per share for the six months ended 30 June 2007 (six months ended 30 June 2006: HK0.8 cents, equivalent to approximately RMB0.82 cents, per share) to the shareholders whose names appear on the register of members of the Company on 16 November 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 14 November 2007 to 16 November 2007, 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 13 November 2007.

CHAIRMAN'S STATEMENT

Review

The year 2007 saw a period of development which is full of challenges and opportunities to the Group. Looking back to the six months ended 30 June, given the strong impetus generated from the strong sales of our mainline products, the overall sales and profits of the Group continued their growing momentum from the previous year despite a decrease in our trading and resource management business, with business turnover of RMB288.0 million and profit of RMB61.1 million, which was equivalent to earnings per share of RMB13.2 cents.

During the period under review, the Group's operation experienced serious challenge. First, after a drastic surge in 2006, the prices of principal raw materials still consolidated at high levels. Second, pressure from continuing Renminbi appreciation was rising considerably. Lastly, the export rebate rate was reduced substantially. In these circumstances, the resource management strategy set by the Group as part of its early planning came into play and enabled the Group to get a stable supply of raw materials while effectively controlling their costs. Besides, the Group rightly forecast the substantial changes in the competition pattern of the international market and promptly adjusted its marketing strategy, while taking advantage of the global growth of the industry to enhance the Group's interaction with its major customers in pricing and strategic cooperation, thereby enhancing the Group's influence in the industry.

As a worldwide influential fragrance supplier, the Group continued to win the confidence and support of customers around the world with quality products and stable supply in the face of a raw materials market. During the period under review, the policy aimed at seeking mutual benefit and creating win-win situations with main customers bore positive fruits. Thanks to an increase in customers' orders, the Group's business, with aroma chemical products as its core, made a strong growth of 34% when compared with the corresponding period of the previous year. Meanwhile, on the strength of our brands and our quality, reliable services, there was an increase in the average price of our mainline products.

Regarding raw materials, the Group continued using botanic essence oil and other natural resources which was abundantly provided in China as its principal materials. To better ensure a secure and stable supply of raw materials, the Group had been proactively expanding its upstream resource business since the end of last year. The business started generating benefit in the second quarter of the period under review.

Regarding business structure, the Group made timely adjustment to its business mix during the review period in light of its mainline business growth and changes in market supply and demand. While maintaining the basic marketing and sales of resource commodities, the Group focused on enhancing the sales of its mainline products and correspondingly reduced the turnover of its trading business, which was of relatively low profit margin, so as to reduce the funds tied to it and raise the overall gross profit margin level.

Regarding business development, during the period under review, the Phase III new factory construction project was carried out as scheduled, which was significant to the Group's development. Meanwhile, progress was made in new product development, with two main types of flavouring materials reaching a trial market sale stage in their course of development and winning favourable responses from customers.

Regarding strategic investment, the Group is proactively arranging its industry production layout on its 145 mu (approximately 97,000 square metres) of newly-purchased land, including adjustments to capacity to produce existing mainline products, optimization of product mix, extension of production lines, and planning and analytic review of new product mix. As this piece of land will form an important prepared resource in the Group's cooperation with its international peers in future, planning on its use is in active progress. Besides, to increase the pace of its business growth, the Group has been proactively and prudently looking for opportunities to acquire enterprises or operations which may give synergistic effect.

Outlook

Looking ahead to the second half of 2007, despite an expected large number of emerging uncertainties in the domestic and international macroeconomic environment, we are still confident about the development of the Group's business and hold prudently optimistic expectation.

On the one hand, the Group will steadily increase the pace of Phase III new factory construction project, with a view to completing the construction and installation of our production plant and commencing the commissioning of the installed system by the end of this year, and starting its trial production early next year, so as to strive to make the new factory a contributor to the Group's results in the second half of the year. On the other hand, the Group will further strengthen the marketing and services of our products, expand the market share of our mainline products, and further optimize the production capacity configuration of our existing production facilities through an effective use of outsourced capacity, thereby raising our output efficiency in full capacity operation, meeting the orders placed by customers eagerly, and maintaining the growth momentum of sales. As measures to be taken in coordination, the Group will proactively forge ahead with the development and trial sale of new products in an effort to obtain orders and fulfill sales on a certain scale as soon as possible after the Phase III production facilities commence operation, hence building up a new growing point of the Group's results.

Meanwhile, the Group will also work actively to create an upstream resource management network and strengthen our established resource strategic partnerships. The moves will ensure a secure and stable supply of raw resources to the Group in the face of an increasing shortage of natural resources, and, on that basis, enhance the Group's ability to allocate resources and manage values throughout the whole industry supply chain, hence the Group's long-term competitiveness.

The Group will also continue taking a number of effective measures to proactively minimize the risks and challenges arising from changes in market and policy environment, including: reduction of export rebate, appreciation of Renminbi, and fluctuations in the cost of raw materials.

Besides, having in mind its long-term enterprise development, the Group will establish its foothold upon the rich resources of China, and build upon its advantages in self-owned technology, excellent mix of product costs, stringent quality management system, good sales services, and its goodwill as an honest and reliable supplier, so as to proactively and dynamically continue its cooperation with customers around the world in various aspects in the second half of 2007 and the years thereafter, with a view to laying a firm foundation for sustainable and long term growth by capturing the opportunities offered by the global shift of industries in even better ways.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the six months ended 30 June 2007, the Group's turnover was RMB288.0 million, representing an increase of 14% when compared with the corresponding period last year. During the period under review, thanks to a continuing increase of orders placed by customers and adjustments to the price of products upwards, and the Group accomplished good results and expanded its profit margin. Besides, the Group also proactively launched new products onto the market including several new products of flavouring materials which were well-received and were beginning to make contribution to the Group based on small batch production.

During the period under review, turpentine and other plant oils were more stable than they were in the corresponding period last year, but still stood at slightly high levels. In order to control the production costs and as a part of its operation strategy, the Group continued its efforts to adopt various effective measures, including stringent cost control, flexible procurement strategy, and a production planning which is even more effective, as well as an increase of the utilization rate of its existing plant to 95%. The above measures served not only to enhance the Group's productivity further, but also reduce the overall operating costs and enhance the competitiveness of the Group gradually, thus further minimizing the negative impact of the rising prices of raw materials and other unfavourable factors.

During the six months ended 30 June 2007, excluding the revenue from trading and resource management products, the Group's turnover reached RMB255.7 million, achieving a rapid growth of 31% as compared with the corresponding period last year. As the trading and resource management business have a lower profit margin, it has enhanced the overall gross profit margin of the Group to 34.8% from 31.6% as recorded in the corresponding period last year. Nevertheless, the impact of the relative shrinkage of this non-core business was slight. Excluding the contribution from trading and resource management products, the gross profit of the Group's downstream processed products during the first six months was 38.2%, a level similar to that of 38.3% recorded in the corresponding period last year.

During the period under review, as there was a decrease in the trading and resource management business for direct export, the proportion of the Group's exported products fell to 33% from 35% of the corresponding period of the previous year. However, thanks to an increase of orders from global customers, the export volume of the Group's downstream processed products increased significantly and the overall export amount still recorded a growth of 6% as a result RMB94.7 million.

The fall of the proportion of export in the total sales resulted in a corresponding fall in sales and marketing cost, such as transportation and insurance cost to RMB11.5 million from RMB11.8 million of the corresponding period last year. The proportion of such cost to sales decreased to 4.0% from 4.6% of the corresponding period last year.

Administrative expenses during the first half of the year amounted to RMB17.5 million, representing an increase over RMB15.5 million as recorded in the corresponding period last year. The proportion of such expenses to sales was 6.1%, a level similar to that of 6.1% recorded in the corresponding period last year. The main causes were gains and losses from foreign currency exchange resulting from Renminbi appreciation increased salary cost as a result of a larger professional team, and an increase in the expenditure on operating leases caused by the booming property market.

Other net losses was incurred, which mainly represented an effectuation of the realized and unrealized gains and losses from interest swap.

Due to the above factors, profit attributable to the equity holders of the Group during the period increased 31% to RMB61.1 million and the net profit margin was 21.2%, up from 18.3% of the corresponding period last year. Earnings per share during the period rose 31% to RMB13.2 cents. The Board of Directors has resolved to declare an interim dividend of 1 HK cents for the period ended 30 June 2007.

Product Review

Aroma Chemicals

As the Group's business during the period under review, Aroma chemicals brought significant and stable operating revenue for the Group. Mainly as a result of increased orders from existing customers and upward adjustment of prices, for the six months ended 30 June 2007, sales of aroma chemicals surged 34% to RMB165.6 million, accounting for 58% of the Group's sales. Gross profit margin was 32.4%, a level similar to that of 32.4% recorded in the corresponding period last year. Dihydromyrcenol was the host hit product of aroma chemicals, which brought a revenue of RMB49.8 million to the Group. Some newly-launched flavouring materials also provided new momentum to business growth by contributing a revenue of RMB10.9 million to the Group based on small batch production.

Natural Extracts

During the period under review, the Group's natural extract business maintained steady growth because demand for downstream products continued to rise while the quality of the Group's products were widely recognized. Turnover of this business category increased 29% to RMB55.0 million, accounting for 19% of the Group's sales. Gross profit margin was 35.3%, slightly down from 37.1% of last year. The performance of Natural Cinnamic Aldehyde was the largest contributor among extracts. This product contributed a revenue of RMB16.4 million to the Group.

Intermediates

During the period under review, the Group's intermediate business recorded a growth of 24% to RMB35.2 million, accounting for 12% of the Group's sales. Gross profit margin rose to 70.3% from 65.7% of the corresponding period last year. 3-Phenylpropanal Aldehyde is the major product of the intermediate business segment. It contributed a revenue of RMB14.6 million to the Group.

Trading and Resource Management Product

For the six months ended 30 June 2007, sales of the Group's trading and resource management product amounted to RMB32.2 million, accounting for 11% of the Group's turnover. Gross profit of trading and resource management product reached approximately RMB2.4 million. 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.

Prospect

Looking towards the second half of the year, global consumers' confidence may weaken and the pace of enterprise development may slow down, mainly due to the impact of a possible slowdown of the economic growth of the United States and a global credit squeeze. Nevertheless, as the Group's products are mainly applied to downstream industries of fast-moving-consumer-goods and daily necessities, they are less affected by short-term or cyclical economic fluctuation, and are expected to continue flourishing in the industry circumstances which grow continually. As such, on the strengths of the Group's solid customer source and advanced and effective production and management, the Group is fully confident about its existing business, and is advantageously positioned as an enterprise to gear itself up for its future long-term growth.

The Group will continue paying close attention to changes in the industry market and the macro-economy, and proactively deals with various risks associated with market and policies including, at the present stage, the pressure from rising costs, a result of changes in China's tax rebate policies, Renminbi appreciation, and fluctuations in raw materials prices. Since 1 July 2007, the Government of China has implemented a new policy to substantially reduce export rebate, and part of the Group's export products will be affected under the new policy. As such, the Group has been consulting its customers actively and effectively in an effort to strive for reasonable shifts or sharing of such burden as arising from the reduction of export tax rebate through price increase or other measures, while having a consensus to maintain market stability and reasonable profit levels.

Besides, Renminbi appreciation is expected to continue in the coming years, and in light of changes in the funds market at home and abroad, the Group will strive for an adjustment to its existing loan structure with the support of overseas banks, with a view to correspondingly increase the proportion of its foreign currency loans, and US dollar loans in particular, and reduce its Renminbi loans, so as to hedge flexibly and effectively against any risks associated with any continued Renminbi appreciation in future.

Furthermore, in the face of future market changes, the Group anticipates that the prices of raw materials will very likely to fluctuate within a limited range in the second half of the year. The Group will bring the advantage of its upstream sourcing network into play, and will also strengthen its management and researches on raw material information, so as to full utilize various forms of cooperation to effectively deal with any impact on raw materials supply, which may arise from abnormal climatic conditions, supply and demand fluctuations on the international raw materials market, and changes in international crude oil prices. Through the abovementioned measures, the Group wishes to be able to effectively consolidate its existing leading advantages in cost and further enhance its international competitiveness.

Looking towards the second half of the year, the Group cherishes its prudent optimistic expectation about its business growth. In view of the orders placed by customers to date, the Group is confident that its business will maintain or surpass the growth in the first half of the year.

FINANCIAL REVIEW

Liquidity and Financial Resources

During the period under review, the Group generally finances its operation with internally generated cash flows and credit facilities provided by its principal bankers.

The Group's financial position was solid throughout the period. As at 30 June 2007, the net current assets and the current ratio of the Group were approximately RMB300.7 million (31 December 2006: approximately RMB290.2 million) and 2.1 (31 December 2006: 2.2), respectively. As at 30 June 2007, the Group had cash and cash equivalents of approximately RMB341.5 million (31 December 2006: approximately RMB360.6 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 2007, the equity attributable to the Company's equity holders amounted to RMB596.7 million, representing RMB1.27 per share (31 December 2006: RMB532.8 million, representing RMB1.16 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 gearing ratio (total debt over total assets) as at 30 June 2007, was increased from 17% at 31 December 2006 to 19%. The Group's net cash surplus, being cash and cash equivalents plus pledged and unpledged bank deposits less borrowings amounted to RMB188.0 million (31 December 2006: RMB225.8 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, United States dollars and Hong Kong dollars.

The Group's 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 2007, bank deposit of RMB41.3 million (31 December 2006: RMB10.3 million), certain property, plant and equipment of the Group with an aggregate net book value of about RMB33.0 million (31 December 2006: RMB32.2 million) and land use rights of RMB2.5 million (31 December 2006: RMB4 million) were pledged to secure the Group's bank borrowings.

Capital expenditure

During the period under review, the Group invested approximately RMB48.6 million and RMB9.9 million respectively in the additions of property, plant and equipment and intangible assets compared to approximately RMB3.3 million and RMB1.2 million respectively for the same period last year.

Contingent liabilities

As at 30 June 2007, the Group did not have any contingent liabilities. The Company executed corporate guarantees as part of securities for general banking facilities granted to a wholly-owned subsidiary.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2007, the Group has 290 full-time employees of which 286 are based in the PRC and 4 in the Hong Kong office.

Remuneration packages offered to the staff are in line with the prevailing market terms and reviewed on a regular basis. Discretionary bonuses may be rewarded to employees after assessment of the Group's and 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. 32,210,000 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 2007, 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 2007.

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

During the six months ended 30 June 2007, 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 2007.

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
EcoGreen Fine Chemicals Group Limited
Yang Yirong
Chairman & President

Hong Kong, 19 September 2007