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)
Website: www.ecogreen.com
(Stock Code: 2341)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009

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 2009 together with the comparative figures for the previous year as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2009

(All amounts in RMB thousands unless otherwise stated)

		Six months ended 30 June	
		2009	2008
	Notes	**(Unaudited)**	(Unaudited)
Revenue	*3*	**341,114**	346,000
Cost of good sold		**(241,372)**	(229,004)
Gross profit		**99,742**	116,996
Other gains – net		**323**	10,664
Selling and marketing costs		**(9,304)**	(14,512)
Administrative expenses		**(19,335)**	(24,672)
Operating profit	*4*	**71,426**	88,476
Interest income		**1,095**	1,513
Finance costs		**(10,594)**	(6,629)
Finance costs – net		**(9,499)**	(5,116)
Profit before income tax		**61,927**	83,360
Income tax expense	*5*	**(8,195)**	(2,990)
Profit for the period		**53,732**	80,370
Attributable to:			
Equity holders of the Company		**53,741**	80,301
Minority interest		**(9)**	69
Profit for the period		**53,732**	80,370
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in RMB per share)			
– Basic	*6*	**11.6 cents**	17.1 cents
– Diluted		**11.5 cents**	16.6 cents
Dividends	*7*	**3,279**	4,920

* *For identification purpose only*

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

(All amounts in RMB thousands unless otherwise stated)

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
Profit for the period	**53,732**	80,370
Other comprehensive income for the period:		
Currency translation differences	**1**	(10)
Cash flow hedge		
– Fair value change in the period	**665**	–
– Transfer to finance costs	**876**	–
	1,542	(10)
Total comprehensive income for the period	**55,274**	80,360
Attributable to:		
Equity holders of the Company	**55,283**	80,291
Minority interests	**(9)**	69
Total comprehensive income for the period	**55,274**	80,360

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

(All amounts in RMB thousands unless otherwise stated)

		30 June	31 December
		2009	2008
	Notes	**(Unaudited)**	(Audited)
ASSETS			
Non-current assets			
Land use rights		**9,905**	8,631
Property, plant and equipment		**375,056**	375,818
Intangible assets		**60,769**	57,441
Investment in an associate		**1,750**	1,750
Available-for-sale financial assets		**400**	400
		447,880	444,040
Current assets			
Inventories		**83,939**	76,138
Trade receivables	*8*	**183,144**	192,006
Prepayments and other receivables		**37,572**	81,493
Pledged bank deposits		**30,927**	37,364
Cash and cash equivalents		**493,579**	386,619
		829,161	773,620
Total assets		**1,277,041**	1,217,660

	Notes	**30 June 2009 (Unaudited)**	31 December 2008 (Audited)
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**49,232**	49,232
Share premium		**181,841**	181,841
Other reserves		**57,842**	56,057
Retained earnings			
– Proposed dividend		**3,279**	11,888
– Others		**497,125**	446,663
		789,319	745,681
Minority interest in equity		**3,282**	3,291
Total equity		**792,601**	748,972
LIABILITIES			
Non-current liabilities			
Borrowings		**167,713**	224,456
Derivative financial instruments		**3,473**	5,014
Deferred tax liabilities		**13,500**	13,500
		184,686	242,970
Current liabilities			
Trade payables and bills payable	*9*	**60,849**	69,764
Current income tax liabilities		**5,713**	2,070
Borrowings		**210,596**	121,019
Accruals and other payables		**21,599**	31,860
Amount due to a director		**997**	1,005
		299,754	225,718
Total liabilities		**484,440**	468,688
Total equity and liabilities		**1,277,041**	1,217,660
Net current assets		**529,406**	547,902
Total assets less current liabilities		**977,286**	991,942

Notes:

1. GENERAL INFORMATION AND BASIS OF PREPARATION

EcoGreen Fine Chemicals Group Limited ("the Company") and its subsidiaries (together "the Group") are principally engaged in the production and trading of fine chemicals from natural resources for use in aroma chemicals and pharmaceutical products.

The Company was incorporated in the Cayman Islands on 3 March 2003 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, Cayman Islands, British West Indies.

The Company's shares were listed on the main board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 9 March 2004.

This condensed consolidated interim financial information is presented in thousands of units of Chinese Renminbi unless otherwise stated.

This condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and other relevant Hong Kong Financial Reporting Standard(s) ("HKFRS(s)") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as the disclosure requirements of Appendix 16 of The Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). This condensed consolidated interim financial information has not been audited, but has been reviewed by the audit committee of the Board ("Audit Committee"). This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with HKFRSs.

These condensed consolidated interim financial information were approved for issue on 9 September 2009.

2. ACCOUNTING POLICES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

The following new standards, amendments to standards and interpretations are mandatory for the financial year beginning 1 January 2009 and are relevant for the Group's operation:

HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKFRS 2 (Amendment)	Share-based payment
HKFRS 7 (Amendment)	Financial instruments: disclosures
HKFRS 8	Operating segments
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation

HKAS 1 (Revised), 'Presentation of financial statements'

The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

HKFRS 8, 'Operating segments'

HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers have been identified as the executive directors ("Executive Directors") that make strategic decisions. Following the adoption of HKFRS 8, the presentation of the segment results and segment assets has changed (see Note 3 for details).

The adoption of other new and revised standards, amendments and interpretations listed above have no significant impact on the results and financial position of the Group.

3. REVENUE 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

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

As at 30 June 2009, 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 2009 are as follows:

	Unaudited Six months ended 30 June	
	2009	2008
Revenue		
Manufacturing	**306,314**	305,500
Trading	**34,800**	40,200
Total revenue	**341,114**	346,000
Segment results		
Manufacturing	**77,961**	87,176
Trading	**(905)**	1,621
Unallocated corporate income/(expense) – net	**(5,630)**	1,192
Finance costs	**(9,499)**	(6,629)
Income tax expense	**(8,195)**	(2,990)
Profit for the period	**53,732**	80,370

The segment assets and liabilities at 30 June 2009 and 31 December 2008 and capital expenditures for the periods are as follows:

	Unaudited 30 June 2009	Audited 31 December 2008
Segment assets		
Manufacturing	**748,366**	790,027
Trading	**4,168**	3,650
Cash and cash equivalents	**524,507**	423,983
Total assets	**1,277,041**	1,217,660
Segment liabilities		
Manufacturing	**107,044**	131,690
Trading	**13,294**	9,372
Bank borrowings	**344,889**	312,056
Deferred tax liabilities	**13,500**	13,500
Current income tax liabilities	**5,713**	2,070
Total liabilities	**484,440**	468,688

	Unaudited Six months ended 30 June	
	2009	2008
Capital expenditure		
Manufacturing	**19,960**	22,816
Trading	**66**	–
	20,026	22,816

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

	Manufacturing Six months ended 30 June		**Trading Six months ended 30 June**	
	2009 (Unaudited)	2008 (Unaudited)	**2009 (Unaudited)**	2008 (Unaudited)
Depreciation	**12,855**	7,101	**16**	46
Amortisation	**3,300**	1,780	**–**	–
Provision/(Written back of provision) for impairment of inventories	**42**	1,252	**24**	(1)
Written back of provision for impairment of trade receivables	**(3,197)**	(34)	**(9)**	(18)

Secondary reporting format – geographical segment

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

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
Revenue		
– Mainland China	**242,073**	240,212
– Europe	**54,563**	52,962
– Asia (excluding Mainland China)	**24,959**	36,629
– Others	**19,519**	16,197
	341,114	346,000

4. OPERATING PROFIT

Operating profit is stated after charging and crediting the following:

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
Charging		
Depreciation	**12,871**	7,147
Amortisation of:		
– intangible assets	**3,244**	1,732
– prepaid operating lease payments	**56**	48
Provision for impairment of inventories	**66**	1,251
Net exchange loss	**455**	–
Crediting		
Written back of provision for impairment of trade receivables	**3,206**	52
Realised and unrealised gain on interest rate swaps – net	**–**	6,956
Net exchange gain	**–**	3,593

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
Current income tax		
– Mainland China enterprise income tax	**8,195**	2,990

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 20% (2008: 18%). In November 2006, Xiamen Doingcom Chemical Co. Ltd. transformed from a domestic enterprise to a wholly foreign owned enterprise. It has obtained approval from Mainland China Tax Bureau to be exempted from enterprise income tax for two years starting from the first year of profitable operations, followed by a 50% reduction in enterprise income tax for the following three years, Xiamen Doingcom Chemical Co. Ltd. has commenced to enjoy its tax holiday starting from year 2007.

6. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the period attributable to equity holders of the Company, and the weighted average number of ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the profit for the period attributable to equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all the dilutive potential ordinary shares into ordinary shares.

The calculation of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to equity holders of the Company	**53,741**	80,301
	Number of shares (in thousands)	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**465,210**	468,394
Weighted average number of ordinary shares – Effect of dilution of share options	**1,115**	15,020
	466,325	483,414

7. DIVIDENDS

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
Interim dividend proposed of HK0.8 cents (2008: HK1.2 cents) per ordinary share	**3,279**	4,920

During the six months ended 30 June 2009, a 2008 final dividend of HK2.9 cents, shown as RMB2.56 cents, (2007 final: HK3.5 cents, shown as RMB3.16 cents) per ordinary share, totalling HK$13,491,000, shown as RMB11,889,000 was paid in May 2009 (six months ended 30 June 2008: HK$16,366,000, shown as RMB14,700,000).

8. TRADE RECEIVABLES

The credit period granted by the Group to its customers is generally around 60 to 90 days. The aging analysis of trade receivables is as follows:

	30 June 2009 (Unaudited)	31 December 2008 (Audited)
0 to 30 days	**60,073**	77,103
31 to 60 days	**55,638**	55,003
61 to 90 days	**39,039**	46,593
91 to 180 days	**29,485**	16,904
181 to 365 days	**759**	343
Over 365 days	**102**	166
	185,096	194,112
Less: Provision for impairment of trade receivables	**(1,952)**	(2,106)
	183,144	192,006

9. TRADE PAYABLES AND BILLS PAYABLE

	30 June 2009 (Unaudited)	31 December 2008 (Audited)
Trade payables	**18,783**	12,722
Bills payable	**42,066**	57,042
	60,849	69,764

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

	30 June 2009 (Unaudited)	31 December 2008 (Audited)
0 to 30 days	**28,519**	25,025
31 to 60 days	**7,200**	4,628
61 to 90 days	**3,571**	14,587
91 to 180 days	**20,263**	24,710
181 to 365 days	**212**	109
Over 365 days	**1,084**	705
	60,849	69,764

INTERIM DIVIDEND

The Directors have resolved to pay an interim dividend of HK0.8 cents, equivalent to approximately RMB0.70 cents, per share for the six months ended 30 June 2009 (six months ended 30 June 2008: HK1.2 cents, equivalent to approximately RMB1.05 cents, per share) to the shareholders whose names appear on the register of members of the Company on 27 November 2009.

CLOSURE OF REGISTERS OF MEMBERS

The register of members of the Company will be closed from 25 November 2009 to 27 November 2009, 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 24 November 2009.

CHAIRMAN'S STATEMENT

Review

In the fourth quarter of 2008, a financial crisis broke out in the US and quickly swept across the globe. The impact of the crisis could still be felt in the first half of 2009. During the period, the economy of various countries still suffered in one way or another. All kinds of economic activities were under huge pressure because of the volatile financial market and weak consumer confidence. The general operating environment faced unprecedented challenges.

Weak market confidence and stagnant demand have made consumers more cautious. The operating objectives of middle and lower stream businesses also became conservative. Various industries has implemented different degrees of destocking during the first and second quarter in 2009. Although its major client is the world's largest international flavour and fragrance manufacturer, the Group was inevitably affected by the economic recession, with its sales and earnings recording significantly negative growth, which was very exceptional in the past few decades. Despite its leading industry position as the major raw material supplier, the Group saw it sales revenue go down at a rate higher than expected for the first quarter of 2009. This was because most of the flavour and fragrance customers focused on destocking and this reduced and postponed new orders in the first half of the year. Business only began to remain stable in the second quarter with the monthly order mildly improving and showing a gradually upward trend.

Among the core businesses of the Group, the sales of aroma chemicals business for the first half of the year, accounting for 60% of the total turnover, was less than the corresponding period last year, yet the turnover still grown slightly. This was mainly attributable to the increase in the average selling price of the products as compared with last year. This set off the drop of sales, and as a result of which the turnover still recorded a growth of 4.4 percentage points. Natural extracts business accounted for approximately 20% of the total turnover, while its turnover mildly decreased by 2.9% from the corresponding period last year. Intermediates and trading and resource management products suffered greater impact. However, as these two businesses only accounted for 10% of the total turnover of the Group respectively, the impact on the Group in general was mild. In sum, the turnover of the Group dropped slightly by 1.4% year-on-year.

During the review period, the upward trend of the price of turpentine, one of the major raw materials, continued and remained at a high level in the first half of 2009. Although the resource management strategies adopted by the Group stabilized raw material supply and reduced expenses, the total cost of raw material still increased sharply as compared with the corresponding period last year and inevitably weakened the profitability of the Group. In addition, the destocking and order reduction carried out by customers affected the profit growth of the Group to be generated from the increase product selling price. Nevertheless, the Group devoted great effort to implement various cost-reduction measures during the period so as to minimize the adverse effects to the Group's profit. As such, the Group achieved gross profit margin of 29.2%, a decrease of 5.2 percentage point as compared to corresponding period in 2008, and a drop of 0.7 percentage point from 29.9% of 2008.

Under the macro-environment of global financial violation and the economic recession, during the first half of 2009, the Group adhered to a more cautious investing strategy and appropriately adjusted the construction schedule of the Fujian Changtai project. While projects such as civil infrastructure and industrial layout are underway, it is expected that the construction of the main project will commence through different phases from the second half of 2009 and will start to generate revenue by the end of 2010. The Group will further conduct timely review and plan adjustment according to the change of the market and economic environment during the realization of such project in the future.

While continuing to expand its own production capacity according to market needs on a timely basis as to remain or enhance the growth of our own business, the Group will also keep an eye on the numerous merger and acquisition and investment opportunities arising from the economic crisis, especially from the global industry consolidation and adjustment.

Outlook

From a macro perspective, the Group forecasts the most difficult operating environment has already occurred in the first half of the year. For the second half of the year, the global economy should become stable due to the global credit easing policy and a serious of economic-boosting initiatives of the PRC. On a micro scale, the external economic environment in the third quarter should improve, with key economic data of the US shows a turnaround from recession, therefore the deferment of customer's purchase orders during the first half of the year is reviving.

While the global economy should continue to fluctuate, consumer confidence in general is expected to improve. As the Group's products are mainly applied to downstream industries like food and beverages, personal care products and family care products, which focuses on the fast-moving consumer products market, these daily necessities tend to be quite resistant to changes of the economic cycle. The destocking have generated some temporary impact, but the basic demand is still enormous. Looking forward, the Group expects that in the near future, particular when the economy recovers, the demand for the Group's products will increase.

To meet future market demand, the Group will steadily implement new projects. It will on one hand continue to launch new products and new product portfolios to meet customers and market needs, on the other hand, it will boost the expansion and technology upgrade projects, such as Changtai project, so as to enhance its production capacity and technology.

For the R&D, in spite of the adverse market condition, the Group will continue to devote great efforts to improve the key reaction apparatus design to enhance competitiveness in terms of technology and costs. It is believed that refinement of this kind will be applied to the Changtai plant under planning. Therefore, the capability of the Group in the aroma chemicals market will be future strengthened.

As far as the operating environment is concerned, the Group will continue to reorganize its internal resources, enhance cost controls, streamline process workflow and optimize capital structure so as to control risks and minimize the operating costs.

Apart from optimizing and strengthening the existing businesses, the Group will capitalize on its established and solid foundation, capture opportunities amidst the current global industrial realignment and proactively and prudently seek opportunities concerning enterprise or business acquisition or investment cooperation that may generate synergetic benefit and accelerate business growth. By turning challenges into opportunities, the Group will achieve more robust growth through different phases.

Through the abovementioned efforts, I am confident that with the support of the Board members and our staff, the Group will be better equipped to cope with the current and future challenges, and achieve continuous growth in the second half of the year and in the future, thus maximizing shareholders' returns.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period under review, affected by the financial tsunami, the sale volume of the Group's product dropped, yet the turnover merely decrease by 1.4% over the corresponding period of 2008 to RMB341,114,000 thank to the increase in average selling prices of the Group's major products and the optimization of product mix. Despite the global economic downturn, the Group was able to maintain stable operating income. With the price of gum turpentine, the key material, continued to increase during the period, the Group faced higher cost pressure. However, by implementing various measures to strictly control direct costs and to transfer part of the costs to customers by rising the product price, the Group managed to maintain the gross profit margin at 29.2%, which represented a slight decrease from 29.9% throughout last year.

For sales and marketing costs, the expenses accounted for 2.7% of the sales, representing a drop of 1.5 percentage points over 4.2% of the corresponding period last year. The decrease was mainly attributable to the decrease in transportation expenditure for the period as a result of the diminished scale of the resource management business and the decreased direct export products for the period. Administrative expenses decreased by RMB5.3 million over the corresponding period last year. The reduction which was mainly due to the absence of one-off expenses such as the handling fee paid to the financial institution for the financing of a club loan last year and the written off of the provision of RMB3 million for the impairment of other receivables made last year for the period. Therefore, the administrative expenses reduced during the period. Besides, the Group also made various one-off provisions on a prudent basis, including the impairment provisions of RMB1.75 million for a portion of food extracts for the period and a loss of RMB2.04 million caused by the suspension of the multi-function workshop improvements scheme from January to February this year, these in aggregate terms, representing a total provision of RMB3.79 million. Other administrative expenses did not increase substantially with the adoption of more cost-efficient measures by the Group. Total administrative expenses accounted for 5.7% of the sales, representing a drastic decline from 7.2% of the corresponding period last year.

As for other gains, there was a net realized gain of approximately RMB7 million arising from the termination of a structural interest rate swap by the Group in the first half of last year. Since the Group did not have any other special gains during the current period, other gains shrank significantly decrease over the corresponding period last year.

Finance costs increased from the corresponding period last year mainly because the Group was charged interests for only one quarter on its club loan amounting to US$33 million obtained at the end of the first quarter of last year, but needed to assume finance costs of the loan for two quarters during the current period.

Profit attributable to the equity holders of the Company amounted to RMB53.7 million, representing a decrease of 33% over the corresponding period last year. Excluding a non-major operating gain of the interest swap gain of RMB7 million for the same period last year, net profit of the major operations dropped 26.5% from RMB73.2 million for the corresponding period last year. Basic earnings per share for the period were RMB11.6 cents per share. The Board has resolved to declare an interim dividend of HK0.8 cent per share for the period ended 30 June 2009.

PRODUCT REVIEW

Aroma Chemicals

Despite the economic downturn in the first half of the year, the aroma chemicals business continued to grow slightly. Currently, it is still the Group's core business and provides the Group with significant and stable operating revenue. For the six months ended 30 June 2009, although the actural sales decreased because major customer reduced their inventories. There was an upward adjustment to prices due to increased in the cost of raw materials. Sales of aroma chemicals increased by 4.4% to RMB220.9 million, accounting for 65% of the Group's sales. The gross profit margin was 28.0%, down slightly from 30.9% for the corresponding period last year. Dihydromyrcenol remained a major source of income, generating RMB58.1 million in revenue and, accounting for 26% of the total revenue of this product category. The Group continued to launch more new aroma chemicals during the period, and the new products also became a new growth driver for sales, generating revenue of RMB49.0 million during the period. Gross profit margin was 37%.

Natural Extracts

During the period under review, demand for natural extracts of the Group decreased slightly, and turnover decreased 2.9% to RMB56.1 million, accounting for 17% of the sales of the Group. Gross profit margin was 29.6%, representing a slight decrease from 33.0% last year. Natural cinnamic aldehyde was the largest contributor among natural extracts, constituting an income of RMB18.5 million to the Group and accounting for 33% of the total revenue of this product category. The new products are currently in the market exploration process and only generated a small portion of the income. However, these new products have been well received by users.

Intermediates

During the period under review, the Group's intermediates business delivered negative growth. Sales decreased 19% over the corresponding period last year to RMB29.3 million, accounting for 9% of the sales of the Group, and the gross profit margin was 60.6%. Nonetheless, the gross profit margin of the Group's intermediates business was still higher than its peers in the industry. 3-phenylpropanal aldehyde, a major product of the intermediates, contributed an income of RMB10.2 million to the Group, accounting for 35% of total revenue of this product category.

Trading and Resource Management Products

During the six months ended 30 June 2009, sales of the Group's trading and resource management products decreased by 13% to RMB34.8 million from the corresponding period last year. The drop was mainly attributable to the decrease of trading business of turpene-related products. Such a business segment representing 10% of turnover of the Group with a gross profit margin of 10.0%. As a necessary complement to the core business of the Group, trading and resource management products also contributed to the Group's sales and earnings for the period under review.

FINANCIAL REVIEW

Liquidity and Financial Resources

During the period under review, the Group's primary source of funding included 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 2009, the net current assets and the current ratio of the Group were approximately RMB529.4 million (31 December 2008: approximately RMB547.9 million) and 2.8 (31 December 2008: 3.4), respectively. As at 30 June 2009, the Group had cash and cash equivalents of approximately RMB493.6 million (31 December 2008: approximately RMB386.6 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 for fulfilling its commitments, meeting working capital requirements and making future investments for expansion.

Capital Structure and Gearing Ratio

As at 30 June 2009, the equity attributable to the Company's equity holders amounted to RMB789.3 million (31 December 2008: RMB745.7 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 2009 amounted to approximately RMB378.3 million (31 December 2008: RMB345.5 million). The Group's gearing ratio (total debt over total assets) as at 30 June 2009. Increased from 28.4% at 31 December 2008 to 29.6%. However, the Group could maintain the net debt to equity ratio at a net cash surplus position, being cash and cash equivalents plus pledged and unpledged bank deposits less borrowings amounting to RMB146.2 million (31 December 2008: RMB78.5 million).

Treasury Policies and Exposure to Fluctuations in Exchange Rates

The Group's assets, liabilities, revenues and transactions are mainly denominated in Renminbi, United States dollar and Hong Kong dollar with its operation being mainly in the PRC. Bank borrowings were denominated in Renminbi 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 2009, bank deposit of RMB30.9 million (31 December 2008: RMB37.4 million), certain property, plant and equipment of the Group with an aggregate net book value of about RMB99.0 million (31 December 2008: RMB70.1 million) were pledged to secure the Group's bank borrowings.

Capital expenditure

During the period under review, the Group invested approximately RMB12.1 million and RMB7.9 million respectively in the additions of property, plant and equipment and intangible assets compared with approximately RMB20.0 million and RMB2.8 million respectively for the same period last year.

Capital commitment

As at 30 June 2009, the Group had capital commitments of approximately RMB45.7 million (31 December 2008: RMB38.3 million) in respect of purchases of property, plant and equipment, construction-in-progress, product development projects and land use rights.

Contingent liabilities

As at 30 June 2009, 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 2009, the Group has 338 full-time employees of whom 334 are based in the PRC and 4 in the Hong Kong office.

Remuneration packages offered to the staff are in line with the prevailing market terms and reviewed on a regular basis. Discretionary bonuses may be rewarded to employees after assessment of the Group's and individual performance. Besides salaries and bonus, staff are also entitled to other benefits, including participation in retirement benefits schemes and the share option schemes adopted by the Company pursuant to resolutions in writing of all the shareholders of the Company passed on 16 February 2004. 31,010,000 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 2009, 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 2009, 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.

REVIEW OF THE INTERIM FINANCIAL INFORMATION

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 2009.

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

Hong Kong, 9 September 2009

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.