EcoGreen Fine Chemicals Group Limited
中怡精細化工集團有限公司 *

(incorporated in the Cayman Islands with limited liability)
(Stock code: 2341; Website: www.ecogreen.com)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

CHAIRMAN'S STATEMENT

Review

I would like to present the consolidated results of EcoGreen Fine Chemicals Group Limited (the "**Company**") and its subsidiaries (collectively "**EcoGreen**" or the "**Group**") for the year ended 31 December 2012 to our shareholders. During the period, the Group's turnover fell moderately by 2% to approximately RMB1,057 million. Earnings before interest, tax, depreciation and amortization ("**EBITDA**") increased by 13% to RMB240 million. Profit attributable to shareholders rose by 7% to RMB128 million. Basic earnings per share were RMB26.5 cents, up 8% when compared with RMB24.6 cents for 2011. To thank our shareholders for their support, the board of directors of the Company (the "**Board**") has proposed a final dividend of HK 4.1 cents per share for the year ended 31 December 2012, subject to the approval by the annual general meeting of shareholders. Together with the interim dividend of HK1 cent per share, the final dividend will bring the total dividend for the year to HK5.1 cents, compared with a dividend of HK4.68 cents per share for the previous year.

In 2012, the faltering demand in the European and the United States markets and China's slowing economic growth exerted various degrees of pressure on most industries. The Renminbi's appreciation, downstream customer tightening inventory control and structural change in end-user demand made the operating environment difficult for the overall flavor and fragrance industry. Nevertheless, the global demand for daily necessities was growing steadily albeit slowly during the year.

The Group's measures to actively expand its customer base, boost product sales, effectively manage the raw material resources and its flexible product pricing mechanism led to steady business performance in 2012. Turnover decreased slightly by 2% when compared with that of 2011. Gross profit margin rose to 24.5% in 2012 from 22.0% in 2011 after the Group overcame various rising production costs and stabilised raw material costs, reaching to a better level in 2010 of 24.8%. During the year of 2012, annual sales volume of the Group recovered although the product average selling price was still lower when compared with those in 2011. However, reviewed on a half-yearly basis, the Group's turnover in the second half of 2012 increased by 17%, which was attributable to the constantly increasing sales of higher margin products. This resulted in different degrees of improvements in selling prices and sales volumes in the second half of the year compared with the first half of the year, reflecting the steady improvement of the Group's business.

As to customer relations, in the face of the business environment volatility and industry competition, the Group won the trust and support from its customers with quality products and proactive services, providing customers with total solutions from research and development, procurement and production, to supply chain management. During the year, the Group strengthened its ties with existing customers and also actively developed relations with new customers, of which increased the weight in total sales to achieve a steady growth.

In terms of raw materials procurement strategy, the Group at present still mainly uses turpentine as its major raw material for producing a series of aroma chemicals. It has gained a better control over the supply of raw materials after it has taken many years to consolidate and vertically integrate the raw material supply chain. Meanwhile, the Group has been striving to develop a series of petroleum-based products with an aim to establish a more balanced raw material resources supporting system, and at the same time, diversify into fine chemical industry and the new aroma chemical business.

In terms of product portfolio, in addition to expanding its business of turpentine-based terpene aromas, the Group has in recent years launched aroma chemicals of floral, woody and green notes and various food flavour chemicals into the market to enrich its product portfolio. Sales of these products have become the new growth driver for the Group and accounted for 25% of the Group’s overall sales in 2012. Meanwhile, more petroleum-based aroma chemicals were added to the product portfolio in 2012 and will begin contributing to the Group’s revenue in 2013.

Breakthroughs were also achieved at the upgrade of production equipment and technology. A trial run of the Group’s first “super-jet reaction” production equipment was conducted at its plant in Haicang. The production equipment, which was newly established, saved energy effectively. Presently, the Group is upgrading the system structure and catalytic system in Haicang plant to raise the production efficiency. The upgrade is expected to save energy, reduce waste and fulfil the goal of expanding production capacity through enhanced efficiency of reaction during production. Moreover, the Group is overhauling the technologies of the key processes of production with an aim to enhance the overall efficiency of production and operation. In addition, the first phase of its plant in Changtai, Fujian Province, has completed its trial run and has started production, increasing the Group’s production capacity for aroma chemicals and specialty chemicals. Furthermore, the joint venture plant in Huanggang, Hubei Province, was almost completed at the end of 2012 despite a slight delay. The joint venture plant is expected to commence trial production at the end of March in 2013 and will reinforce the Group’s production capacity for new aroma chemicals and generate revenue.

On the business layout as China plays an increasingly important role in the development of the global chemical industry, this represents a great opportunity for the Group to steadily develop and expand its business of specialty chemicals, which include the petroleum-based aroma chemicals with high growth potential. In 2012, after a thorough study and careful planning, the Group contemplates diversifying into a value-added downstream business of aroma chemicals and basic fine chemicals. The diversification proposition was inspired by the Chinese government's plan to build a Western Taiwan Strait petrochemical base in Gulei, Fujian Province. Under the government's plan, Sinopec, PetroChina, China National Offshore Oil Corp and Petrochemical Industry Association of Taiwan will together establish a large-scale petrochemical business in the place. The Group will be able to capitalize on the stable and plentiful supply of petrochemical raw materials from the integrated petroleum refining business to be set up there. The proposed value-added downstream business of aroma chemicals and basic fine chemicals in Gulei will form a trilogy with the production bases in Haicang and Changtai, laying a solid foundation for the Group's development in years ahead. The Group is presently negotiating the land use right and business plan of the preliminary proposition with the government and relevant petrochemical consortiums.

During the year under review, the Group continued to strengthen its financial position to cope with the fluctuations in aroma chemical industry and to prepare for its future development. As at 31 December 2012, total net cash, being bank cash and cash equivalents less total borrowings, amounted to RMB198 million. Net cash from operating activities for the year was approximately RMB232 million in 2012, compared with that of RMB62 million in 2011. Although gearing ratio rose to 41.8% in 2012 from 38.3% in 2011, the Group would like to have sufficient financial resource to support its further development. To cope with the fluctuating currency exchange rates and the more significant interest spreads on both the domestic and overseas capital markets, the Group adopted a prudent approach to managing the risks of currency exchange and interest rates. These efforts reduced the Group's overall financial risk and decreased its financing costs, reinforcing its capability of withstanding the fluctuations in raw material costs and of developing its business.

Outlook

Although the global economic recovery remains uncertain, demand for daily necessities such as the Group's products continue to grow steadily instead of shrinking. Moreover, the consistent growth of the emerging markets represented by China will continue to drive the development of the global fragrance and aroma chemicals industry. Overall, the Group is optimistic about the prospects in the year ahead.

In 2013, the Group will continue to undertake a number of major business restructuring plans:

Firstly, it will seek to diversify raw material sourcing globally. Turpentine remains as the Group's most important strategic resource, which in the past decades has been dependent on the rosin industry in China. However, as China's demographic dividend has been disappearing, the cost structure of the natural resources of raw materials has also changed. The Group now needs to solve various problems associated with the applicability of turpentine from different sources by adjusting its major production technologies. In the coming year, the Group will have better access to a more diversified source of raw materials internationally, thereby enhancing the reliability and stability of the Group's future supply of resources.

Secondly, it will begin developing the full industry chain of the turpentine with an emphasis on aroma chemicals to enrich the product portfolio. The products will include functional chemicals used in pharmaceuticals, special coating materials and surface active agents. The move will enable the Group to expand the customer base, develop the finely segmented target markets, and establish more strategic partnerships throughout the aroma chemical industry chain around the world. The Group will eventually gain a unique strategic competitive advantage along the value chain of the turpentine industry while enhancing its worldwide market share.

Thirdly, as part of the strategic move to extend its industry chain downstream, the Group will continue to explore the market for applications of functional products by providing high value-added key components and total-solutions for the daily necessities industries such as food, oral care, washing and cleaning agents as well as safety solvents. As the Group continues to transform its core business, expanding down the value chain has become the Group’s long-term strategy.

Fourthly, the Group has achieved breakthroughs in its new product portfolio made from petroleum-based raw materials after years of efforts. The Group has recognised the starting point in terms of manufacturing technology and business model for fine chemical materials, so as to establish a more balanced raw material resources supporting system. The commencement of the Gulei Industrial Park will also provide protection for the Group to establish a more balanced capacity of raw materials system, enabling the Group to move into a new development platform for its fine chemicals business.

Fifthly, in the year ahead, as the joint venture plant in Huanggang, Hubei Province will be put into operation in the first quarter of 2013, the Group would then play a crucially pivotal influence on a key basic raw materials market –the downstream acrolein derivative product market. Moreover, the Changtai Plant is set to embrace a richer product mix, while its equipment and production capacity will see substantial improvement. Elsewhere, the Haicang Plant will continue to have improvement in energy saving and technological upgrades, while the factory’s operating system is expected to achieve capacity expansion in different ways to further reduce the cost of production. At the same time, the Group will effectively reduce carbon footprint, enabling EcoGreen to achieve a greater contribution to sustainable development.

Sixthly, the Group will continue to optimise the flow of product delivery and material supplies by improving and broadening its international chemical logistic channels. The Group will try to localize its logistic services for customers in two important markets, namely Europe and the United States. This will enable the Group to fully satisfy the demand of the customers and enhance its competitive advantages, which in turn will be translated into more market opportunities for the Group’s new business.

While the Group continues to make every effort to strengthen its own business development in an organic way, it also seeks synergies from mergers and acquisitions, or partnering with peer companies within the industry or along the value chain, in order to grow at a faster pace. In the past year, the Group has explored many possibilities and expects to make some substantial progress soon. Over the last decade, the industry has witnessed the steady growth of EcoGreen since its inception in the flavour and fragrance ingredient sector. In the next decade, with the collective efforts of every member of the Company, EcoGreen will enter a new era of rapid development, so I am confident we will go from strength to strength.

Acknowledgement

I would like to express my sincere gratitude to all our shareholders, customers, suppliers and staff, whose consistent trust and support are crucial to the Group's growth and success. I would also like to thank all the Board members for their great support and precious advice during the year.

Yang Yirong
Chairman
Hong Kong, 26 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2012, both the natural extracts business and intermediates business recorded a slight growth. The Group's turnover for the year was RMB1,057 million, a decrease of 2% from the previous year. Excluding contributions from the supplementary resource management and trading business, sales derived from our three major business segments has decreased by 10%. Profit attributable to shareholders improved to RMB128 million by 7% from the previous year. Basic earnings per share were approximately RMB26.5 cents.

Manufacturing

(i) Aroma Chemicals

For the year ended 31 December 2012, turnover of aroma chemicals decreased by 14% to RMB628 million (2011: RMB734 million), accounting for 59% of the Group's turnover (2011: 68%) and a gross profit margin of 27.7% (2011: 22.1%). The product price of Dihydromyrcenol, as an important contributor of the aroma chemicals business, was adjusted downward in this year due to the sharp decline of raw material prices. The total sales of Dihydromyrcenol was reduced by 25% from the previous year.

Aroma Chemicals continued to be the Group's core products during the year under review, and constituted a stable and major income source for the Group. During the year, the diminishing selling price was offset with the increase of sales volume of Aroma Chemicals. Due to the fall of raw material prices by nearly 40% over last year, the selling price of Aroma Chemicals shrank to a certain extent. Aroma chemicals are primarily used as functional ingredients and key components in many daily consumer goods, with a combined positive effect of its diversified applications and the development in the emerging markets, market demand continued to rise. In addition, certain new aroma and food flavour chemicals launching lately were further recognized by the customers and well received in the market. The new series of products have already contributed RMB249 million (2011: RMB230 million) to the Group's revenue, with a profit margin amounted to approximately 31%, which is higher than the profit margin of our fragrance chemical products and represents one of the sources in the growth of Group's profitability.

(ii) Natural Extracts

In respect of the Natural Extracts products, apart from existing natural pharmaceutical raw materials, the Group has been actively engaged in the development of food additives business for the production of food ingredients, fast food, frozen food and pet nutrition food, which is produced with purification and bio-conversion technologies from natural produces. Natural extracts mainly include seafood, meat and mushroom extracts.

During the year under review, the Group's natural extract products maintained steady growth. Turnover from sales of Natural Extracts increased by 6% to RMB147 million (2011: RMB139 million), accounting for 14% (2011: 13%) of the Group's sales. Gross profit margin amounted to 26.9% (2011: 26.1%). This is due to the scarcity of resources of certain products, which have high gross profit margins.

(iii) Intermediates

Besides the chiral pharmaceuticals and intermediates, the Group also applies similar advanced technologies of synthesis to produce agrochemical intermediates, which will later be turned into the kind of eco-pesticide.

During the year under review, turnover remained steady at RMB65.6 million (2011: RMB65.5 million), accounting for 6% (2011: 6%) of the Group's sales. Gross profit margin was 46.0% (2011:46.4%).

Resource management and trading business

This business is a necessary complement to the three main business categories listed above, in particular the aroma chemicals business. The Group has been striving for the integration of upstream turpentine resources and expansion of supply chain management, with a view of systemic competitiveness and meeting customer needs more effectively. This business mainly includes the trading operation of gum rosin, gum turpentine and other special botanic essential oils and their by-products. During the year, revenue from the resources management and trading increased by 59% to RMB217 million, accounting for 21% of the Group's revenue.

Financial Review

Turnover

The Group recorded slight decrease of 2% in its turnover for the year ended 31 December 2012, which amounted to RMB1,057 million. The Group's turnover in the second half was encouraging, with an increase by 11% compared with the last corresponding period. In analysing the sales in 2012, despite the increase of the sales volumes by approximately 10% over last year, the drop in selling price had led to the slight diminishing of the turnover.

Gross Profit

During the year under review, the Group's gross profit totaled RMB259 million, increased by 9%. Gross profit margin increased from 22.0% in 2011 to 24.5% in 2012. In 2011, the Group had made a provision for impairment of inventories of RMB17.2 million. As the provision was recognised in "cost of sales" in the consolidated income statement, it has a negative impact of 1.6% on the Group's gross profit margin for that year.

By the products category, the gross profit margin of aroma chemicals increased from 22.1% in 2011 to 27.7% in 2012, while natural extracts increased from 26.1% in 2011 to 26.9% this year. The profit margin of intermediates decreased from 46.4% in 2011 to 46.0% in 2012. The gross profit margin of resource management and trading products increased from 5.8% in 2011 to 7.2% in 2012.

Operating Income and Expense

The selling and marketing expenses in 2012 accounted for 2.6% of the Group's turnover (2011: 2.7%). Under the Group's effective cost-cutting measures, the selling and marketing expenses to sales ratio remained stable.

In 2012, administrative expenses accounted for 4.6% of turnover (2011: 4.5%). In 2012, the recruitment of extra staff for the plant and the adjusted wages due to prices inflation leading to the 9% significant increase of staff-related expenses.

Finance Costs – Net

As a significant portion of the Group's borrowings is denominated in United States dollars ("**US dollars**"), the stability of US dollars against Chinese Renminbi has led to the significant decrease of the exchange gain to RMB0.12 million (2011: RMB11.6 million). On the other hand, the higher interest rates for bank loans obtained in China has resulted in an increase in finance cost; while at the same time, higher interest income was earned from the bank deposits, resulting in an overall rise of the net finance cost by approximately RMB14.89 million as compared to last year.

Taxation

Tax expense of the Group in 2012 was RMB35.9 million (2011: RMB23.1 million). Effective tax rate of the Group is 21.9% (2011: 16.3%).

Profit for the Year

Profit for the year in 2012 was RMB128 million, representing an increase of 7% compared with RMB119 million in 2011. EBITDA for the year was RMB240 million, represented 13% increase as compared to RMB212 million in 2011.

Liquidity and Financial Resources

During the year under review, the Group's primary source of funding mainly included the cash generated from operating activities. For the year ended 31 December 2012, net cash generated from operating activities amounted to RMB231.7 million (2011: RMB61.9 million). The Group had net cash used in investing activities of RMB50.3 million (2011: RMB32.8 million). During the year under review, the net cash inflow from financing activities amounted to RMB70.7 million (2011: net cash inflow of RMB28.3 million).

As at 31 December 2012, the average inventory turnover days, average trade receivable turnover days and average trade payable turnover days were 61 days, 128 days and 116 days respectively (2011: 58 days, 112 days and 87 days).

The Group's financial position remains very solid and healthy during the year under review. As at 31 December 2012, the net current assets and the current ratio of the Group were approximately RMB755 million (2011: RMB755 million) and 1.9 (2011: 2.3) respectively.

As at 31 December 2012, the Group had borrowings and bills payable of approximately RMB497 million and RMB238 million respectively (2011: RMB414 million and RMB224 million). Among the Group's borrowing, outstanding short-term borrowings amounted to RMB494 million (2011: RMB299 million). As at 31 December 2012, the Group's ratio of borrowings to total equity, was approximately 41.8% (2011: 38.3%) and the Group's net cash balance, being pledged bank deposits, cash and cash equivalents less borrowings and bills payable amounted to RMB198 million (2011: RMB55 million).

With the positive cash inflow from the Group's operations, its available banking facilities and its existing cash resources, the Group has very strong liquidity and sufficient financial resources to meet its commitments, working capital requirements and future investments for expansion.

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. As at 31 December 2012, the Group's borrowings of approximately RMB312 million and RMB156 million were denominated in Renminbi and United States dollars, respectively.

The Group's foremost exposure to the foreign exchange fluctuations was caused by the revaluation of Renminbi during the year under review. The Group's export sales are, in majority, denominated in United States dollars. Nevertheless, the Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year. The Group will conduct periodic review of its exposure to foreign exchange risk and may use proper financial instrument and financing arrangement for hedging purpose when considered appropriate.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2012, the Group had 446 full-time employees, among whom 440 were based in the PRC. For the year under review, the total employment costs incurred for 2012 including directors' emoluments amounted to RMB40.4 million. The Group has established its human resources policies and procedures with a view to deploy the incentives and rewards of the remuneration system. The remuneration package offered to the staff is appropriate for the duties and in line with the prevailing market terms. Staff benefits, including medical coverage and provident funds, are provided to employees.

The Group has also established effective performance evaluation system in which employees are properly rewarded on a performance-related basis under the Group's salary and bonus system. The Group has adopted a share option scheme for the purpose of providing incentives and rewards to the management, key technician and other eligible participants who contribute to the success of the Group's operations.

ANNUAL RESULTS

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2012

	Note	**2012** **RMB'000**	2011 RMB'000
Revenue	*2*	**1,057,371**	1,074,688
Cost of goods sold		**(798,290)**	(837,734)
Gross profit		**259,081**	236,954
Other gains/(losses) - net		**4,222**	(9,488)
Selling and marketing costs		**(27,455)**	(29,093)
Administrative expenses		**(48,352)**	(47,896)
Operating profit	*3*	**187,496**	150,477
Finance costs - net	*4*	**(23,493)**	(8,599)
Share of losses of associates		**(267)**	(59)
Profit before taxation		**163,736**	141,819
Taxation	*5*	**(35,914)**	(23,084)
Profit for the year		**127,822**	118,735
Profit attributable to:			
Owners of the Company		**127,942**	119,058
Non-controlling interests		**(120)**	(323)
Profit for the year		**127,822**	118,735
Earnings per share attributable to owners of the Company during the year (expressed in RMB per share)			
- Basic	*6*	**26.5 Cents**	24.6 Cents
- Diluted	*6*	**26.4 Cents**	24.4 Cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012	2011
	RMB'000	RMB'000
Profit for the year	**127,822**	118,735
Other comprehensive income /(losses):		
Currency translation differences	**9**	(65)
Other comprehensive income/(losses) for the year	**9**	(65)
Total comprehensive income for the year	**127,831**	118,670
Attributable to:		
Owners of the Company	**127,951**	118,993
Non-controlling interests	**(120)**	(323)
Total comprehensive income for the year	**127,831**	118,670

CONSOLIDATED BALANCE SHEET
As at 31 December 2012

	Note	**2012** **RMB'000**	2011 RMB'000
ASSETS			
Non-current assets			
Land use rights		**9,079**	9,310
Property, plant and equipment		**384,008**	387,922
Intangible assets		**50,081**	44,795
Investments in associates		**8,924**	6,691
Deferred income tax assets		**2,623**	5,215
Available-for-sale financial assets		**200**	200
		454,915	454,133
Current assets			
Inventories		**114,683**	151,306
Trade receivables	*8*	**377,348**	362,122
Prepayments and other receivables		**131,743**	128,436
Derivative financial instruments		**151**	2,838
Pledged bank deposits		**98,271**	110,988
Cash and cash equivalents		**833,919**	581,724
		1,556,115	1,337,414
Total assets		**2,011,030**	1,791,547
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**50,781**	50,872
Share premium		**199,470**	200,383
Other reserves		**79,141**	64,703
Retained earnings			
- Proposed final dividend	*7*	**16,013**	13,635
- Others		**840,737**	747,097
		1,186,142	1,076,690
Non-controlling interests		**3,025**	3,145
Total equity		**1,189,167**	1,079,835

	Note	2012	2011
		RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**2,300**	114,696
Derivative financial instruments		**-**	973
Deferred income tax liabilities		**18,200**	14,000
		20,500	129,669
Current liabilities			
Trade payables and bills payable	*9*	**267,408**	241,784
Current income tax liabilities		**7,976**	5,281
Borrowings		**494,308**	299,297
Derivative financial instruments		**564**	5,445
Accruals and other payables		**30,337**	29,322
Amount due to a director		**770**	914
		801,363	582,043
Total liabilities		**821,863**	711,712
Total equity and liabilities		**2,011,030**	1,791,547
Net current assets		**754,752**	755,371
Total assets less current liabilities		**1,209,667**	1,209,504

NOTES:

1. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(a) Amended standards and interpretations adopted by the Group

The following amendments to standards are mandatory for accounting periods beginning on or after 1 January 2012 but are not relevant to the Group's operations:

HKFRS 1 (Amendment)	Presentation of financial statements
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets

(b) New standards and amendments to standards have been issued but are not effective for the financial year beginning on or after 1 January 2012 and have not been early adopted:

HKAS 1 (Amendment)	Presentation of financial statements[1]
HKAS 19 (Amendment)	Employee benefits[2]
HKAS 27 (Revised 2011)	Separate financial statements[2]
HKAS 28 (Revised 2011)	Associates and joint ventures[2]
HKAS 32 (Amendment)	Financial instruments: Presentation on asset and liability offsetting[3]
HKFRS 1 (Amendment)	First time adoption on government loans[2]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures[4]
HKFRS 7 (Amendment)	Financial instruments: Disclosure on asset and liability offsetting[2]
HKFRS 9	Financial instruments[2]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosures of interest in other entities[2]
HKFRS 13	Fair value measurements[2]
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine[2]

1 effective for annual periods beginning on or after 1 July 2012
2 effective for annual periods beginning on or after 1 January 2013
3 effective for annual periods beginning on or after 1 January 2014
4 effective for annual periods beginning on or after 1 January 2015

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and HK－SIC 12 Consolidation － Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

The application of HKFRS 10 is not expected to change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

The Group has commenced assessing the potential impact of the other new and revised standards, amendments or interpretations but is not yet in a position to determine whether they would have a significant impact on its results and financial position are prepared and presented.

2. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

The Group is principally engaged in the manufacturing of fine chemicals from natural resources for use in aroma chemicals and pharmaceutical products and the trading of natural materials and fine chemicals. Turnover for the Group represents revenue from the sale of goods.

	2012 ***RMB'000***	2011 *RMB'000*
Sale of goods (net of value-added tax)	**1,057,371**	1,074,688

(b) Segment information

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

For the year ended 31 December 2012, the Group was organised into two main operating segments:

(1) manufacturing and selling of fine chemicals; and

(2) trading of natural materials and fine chemicals.

The segment results for the year ended 31 December 2012 are as follows:

	2012	2011
	RMB'000	RMB'000
Revenue		
Manufacturing	**840,418**	938,412
Trading	**216,953**	136,276
Total revenue	**1,057,371**	1,074,688
Segment results		
Manufacturing	**221,680**	203,672
Trading	**9,946**	4,188
Unallocated corporate expense – net	**(44,130)**	(57,383)
Finance cost, net	**(23,493)**	(8,599)
Income tax expense	**(35,914)**	(23,084)
Share of loss of associates	**(267)**	(59)
Profit for the year	**127,822**	118,735

The segment assets and liabilities as at 31 December 2012 and capital expenditure for the year then ended are as follows:

	2012	2011
	RMB'000	RMB'000
Segment assets		
Manufacturing	**953,134**	1,050,913
Trading	**103,071**	22,184
Pledged bank deposits	**98,271**	110,988
Cash and cash equivalents	**833,919**	581,724
Other corporate assets	**22,635**	25,738
Total assets	**2,011,030**	1,791,547
Segment liabilities		
Manufacturing	**235,712**	210,856
Trading	**35,116**	38,998
Bank borrowings	**493,188**	405,923
Deferred tax liabilities	**18,200**	14,000
Current income tax liabilities	**7,976**	5,281
Other corporate liabilities	**31,671**	36,654
Total liabilities	**821,863**	711,712

	2012	2011
	RMB'000	RMB'000
Capital expenditure		
Manufacturing	**47,902**	27,659
Trading	**11**	100
	47,913	27,759

Segment assets consist primarily of land use rights, property, plant and equipment, intangible assets, inventories and receivables. Segment liabilities comprise operating liabilities. They exclude items such as cash and cash equivalents, taxation and corporate borrowings. Capital expenditure comprises additions to property, plant and equipment and intangible assets.

Other segment items charged/(credited) in the consolidated income statements are as follows:

	Manufacturing		**Trading**	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Depreciation	**34,664**	31,691	**86**	123
Amortisation	**9,551**	9,963	**–**	–
Provision for impairment of intangible assets	**2,353**	3,499	**–**	–
Provision for impairment of inventories	**166**	17,168	**–**	–
Provision for /(reversal of) impairment of trade receivables	**525**	1,082	**(138)**	(94)

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

	2012	2011
	RMB'000	RMB'000
Turnover		
- Mainland China	**809,336**	657,405
- Europe	**111,593**	175,398
- Asia (excluding Mainland China)	**50,970**	109,378
- Others	**85,472**	132,507
	1,057,371	1,074,688

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

	2012 RMB'000	2011 RMB'000
Total assets		
- Mainland China	**1,975,105**	1,725,912
- Hong Kong	**31,621**	58,286
- Others	**4,304**	7,349
	2,011,030	1,791,547

Total assets are allocated based on where the assets are located.

No geographical analysis of capital expenditure is presented as substantially all of the Group's capital expenditure was incurred in respect of assets located in Mainland China.

3. OPERATING PROFIT

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

	2012 RMB'000	2011 RMB'000
Amortisation of prepaid operating lease payments	**231**	231
Depreciation	**34,750**	31,814
Amortisation of intangible assets	**9,320**	9,732
Provision for impairment of intangible assets	**2,353**	3,499
Provision for impairment of inventories	**166**	17,168
Provision for impairment of trade receivables	**387**	988
Net foreign exchange gains	**(33)**	(5,694)

4. FINANCE COSTS - NET

	2012 RMB'000	2011 RMB'000
Interest expense on:		
- Bank borrowings wholly repayable within five years	**(32,283)**	(28,248)
- Government loans wholly repayable within five years	**(82)**	(93)
Net foreign exchange gains on financing activities	**119**	11,602
	(32,246)	(16,739)
Less: amount capitalised on qualifying assets	**1,992**	3,533
Finance costs	**(30,254)**	(13,206)
Finance income		
- Interest income on short term bank deposits	**6,761**	4,607
Net finance costs	**(23,493)**	(8,599)

Finance cost capitalised during the year have been calculated by applying a capitalisation rate of 5.4% (2011:4.3%) per annum on expenditure of qualifying assets.

5. TAXATION

	2012 RMB'000	2011 RMB'000
Current income tax		
- Mainland China corporate income tax	**29,122**	24,799
Deferred income tax	**6,792**	(1,715)
	35,914	23,084

Notes:

(a) Hong Kong Profits tax

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

(b) Mainland China corporate income tax

The subsidiaries in Mainland China are subject to Mainland China corporate income tax at a rate of 25% (2011: 24%). One of the PRC subsidiaries, Xiamen Doingcom Biotechnology Co., Ltd. has obtained approval from Mainland China Tax Bureau to be exempted from corporate income tax for two years starting from the first year of profitable operations, followed by a 50% reduction in corporate income tax for the following three years, Xiamen Doingcom Biotechnology Co., Ltd. has commenced to enjoy its tax holiday starting from year 2008.

Starting 1 January 2012, the 50% reduction in corporate income tax rate for Xiamen Doingcom Chemicals Co. Ltd ("Doingcom") is no longer applicable. Doingcom was granted the High and New Technology Enterprise ("HNTE") status in September 2009 which was valid for 3 years; and in 2012, the entity has applied for renewal of its HNTE status for another 3 years. Management has assessed the probability of successful application and since Doingcom has been filing its quarterly corporate income tax returns at the preferential rate at 15%, management is confident that Doingcom will continue to enjoy the reduced CIT rate at 15%. Because of this, corporate income tax has been provided for using the rate of 15% for the year ended 31 December 2012.

(c) Overseas income taxes

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, is exempted from Cayman Islands income tax. The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

(d) Withholding tax

Pursuant to the New Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends distributed/to be distributed by those subsidiaries and associates established in Mainland China in respect of earnings generated from 1 January 2008.

6. EARNINGS PER SHARE

Basic

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

	2012	2011
Profit attributable to owners of the Company *(RMB'000)*	**127,942**	119,058
Weighted average number of ordinary shares in issue *(thousands)*	**483,488**	483,211
Basic earnings per share *(RMB per share)*	**26.5 Cents**	24.6 Cents

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company mainly comprise the share options. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average monthly market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2012	2011
Profit attributable to owners of the Company *(RMB'000)*	**127,942**	119,058
Weighted average number of ordinary shares in issue *(thousands)*	**483,488**	483,211
Adjustments assuming the exercise of share options *(thousands)*	**593**	4,854
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**484,081**	488,065
Diluted earnings per share *(RMB per share)*	**26.4 Cents**	24.4 Cents

7. DIVIDENDS

A final dividend in respect of the year ended 31 December 2012 of HK4.1 cents per share, totaling approximately of RMB16,013,000, is to be proposed at the forthcoming annual general meeting. These financial statements do not reflect such proposed dividend.

	2012	2011
	RMB'000	RMB'000
Interim dividend paid of HK1 cents (2011: HK1.2 cents) per ordinary share	**3,951**	4,760
Proposed final dividend of HK4.1 cents (2011: HK3.48 cents) per ordinary share	**16,013**	13,635
	19,964	18,395

8. TRADE RECEIVABLES

The credit period granted by the Group to its customers is generally between 60 to 90 days. For certain customers with good credit history, an extended period up to 180 days is allowed. The aging analysis of trade receivables is as follows:

	2012	2011
	RMB'000	RMB'000
0 to 30 days	**142,236**	84,756
31 to 60 days	**94,178**	68,254
61 to 90 days	**61,258**	47,759
91 to 180 days	**80,316**	128,302
181 to 365 days	**3,172**	36,709
Over 365 days	**495**	262
	381,655	366,042
Less: Provision for impairment of trade receivables	**(4,307)**	(3,920)
	377,348	362,122

9. TRADE PAYABLES AND BILLS PAYABLE

	2012	2011
	RMB’000	RMB’000
Trade payables	**29,824**	18,077
Bills payable	**237,584**	223,707
	267,408	241,784

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

	2012	2011
	RMB’000	RMB’000
0 to 30 days	**80,363**	27,796
31 to 60 days	**46,006**	73,254
61 to 90 days	**33,979**	53,193
91 to 180 days	**105,212**	86,660
181 to 365 days	**983**	147
Over 365 days	**865**	734
	267,408	241,784

10. CHARGE ON ASSETS

As at 31 December 2012, bank deposits of RMB98.3 million (2011: RMB111 million) were pledged to secure the Group’s bills payable.

11. CONTINGENT LIABILITIES

As at 31 December 2012, the Group had no significant contingent liabilities.

12. CAPITAL COMMITMENT

As at 31 December 2012, the Group had capital commitments of approximately RMB46.4 million (2011: RMB12.2 million) in respect of product development projects and the acquisition of land use rights.

In December 2012, the Group entered into an investment agreement with a local government body in Fujian, namely 福建漳州古雷港經濟開發區管委會, in regard to the construction locally of a plant in Gulei port for the production of petroleum products (the “Agreement”). According to the Agreement, the local government will grant the right to use a piece of land in Gulei port with a planned total area of 1,000 acres.

The project will be carried out by means of different phases spreading over a number of years. Pursuant to the Agreement, the Group has to set up a new subsidiary in Gulei port responsible for the development of the project. The Group has to obtain the related land use rights and the price of the rights has to be determined by means of a public auction to be put by the local government in mid 2013. The first phase of the project will be conducted on the first piece of land with an approximate area of 300 acres. Deposit in relation to this first piece of land of RMB9 million has been settled in January 2013. The deposit of the land use rights relating to the remaining 700 acres, estimated by management to be approximately RMB21 million, is expected to be settled following the auction of such land use rights by the local government body in mid 2013.

FINAL DIVIDEND

The Board has proposed a final dividend of HK4.1 cent (2011: HK3.48 cents) per ordinary share for the year ended 31 December 2012. Together with the interim dividend of HK1 cent (2011: HK1.2 cents) per share (having been paid on 18 October 2012), the total dividend for the year ended 31 December 2012 amounted to HK5.1 cents (2011: HK4.68 cents) per share, representing a total of RMB19.96 million (2011: RMB18.4 million). Subject to shareholders' approval at the forthcoming annual general meeting to be held on 28 May 2013, the proposed final dividend will be paid on or around 28 June 2013.

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members of the Company will be closed from Thursday, 23 May 2013 to Tuesday, 28 May 2013 (both days inclusive), during which period no transfer of shares will be effected, for the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 22 May 2013.

The transfer books and register of members of the Company will be closed from Wednesday, 5 June 2013 to Friday, 7 June 2013 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at the aforementioned address not later than 4:30 p.m. on Tuesday, 4 June 2013.

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2012, the Company has complied with the code provisions under the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") except for code provisions A.2.1 and A.6.7 as explained below.

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer ("**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.

Under the code provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Feng Tao was unable to attend the annual general meeting of the Company held on 28 June 2012 due to other important engagements. All other independent non-executive directors and non-executive directors had attended the 2012 annual general meeting to answer questions and collect views of shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the year, the Company made the following purchases of its own shares on the Stock Exchange:

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms not less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all Directors and all the Directors have confirmed that they have complied with all the relevant requirements as set out in the Model Code throughout the year ended 31 December 2012.

AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the accounting policies, accounting standards and practices adopted by the Group and the consolidated financial statements and results of the Group for the year ended 31 December 2012.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT

The figures in respect of the preliminary results announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Group's auditor, PricewaterhouseCoopers ("**PwC HK**"), to the amounts set out in the Group's audited consolidated financial statements. The work performed by PwC HK in respect of the preliminary results announcement did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC HK on the preliminary results announcement.

REMUNERTION COMMITTEE

The Remuneration Committee of the Board has reviewed remuneration policy and packages of the Directors and senior management for the year ended 31 December 2012.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the designated website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.ecogreen.com). The 2012 annual report containing all the information required by The Listing Rules will be despatched to shareholders and will be published on the aforementioned websites in April 2013.

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

Hong Kong, 26 March 2013

* *For identification purpose only*

As at the date of this announcement, the Board of Directors of the Company comprises of five executive Directors, namely Mr. Yang Yirong (Chairman), Mr. Gong Xionghui, Ms. Lu Jiahua, Mr. Han Huan Guang and Mr. Lin Zhigang, one non-executive Directors, namely Mr. Feng Tao and three independent non-executive Directors, namely Mr. Yau Fook Chuen, Mr. Wong Yik Chung, John and Mr. Lau Wang Yip, Derrick.