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: http://www.ecogreen.com
(Stock code: 2341)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2007

The board of directors (the "Board") of EcoGreen Fine Chemicals Group Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively "EcoGreen" or the "Group") for the year ended 31 December 2007 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2007
(All amounts in RMB thousands unless otherwise stated)

	Note	**2007**	**2006**
Turnover	*2*	612,159	532,975
Cost of goods sold		(402,742)	(362,975)
Gross profit		209,417	170,000
Other gains – net	*3*	4,239	4,952
Selling and marketing costs		(24,816)	(22,123)
Administrative expenses		(44,437)	(41,767)
Operating profit	*4*	144,403	111,062
Finance costs		(6,355)	(6,645)
Profit before income tax		138,048	104,417
Income tax expense	*5*	(7,514)	(8,982)
Profit for the year		130,534	95,435

* *For identification purpose only*

	Note	**2007**	**2006**
Attributable to:			
Equity holders of the Company		130,465	95,440
Minority interest		69	(5)
		130,534	95,435
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
– basic	*6*	28.0 Cents	20.7 Cents
– diluted	*6*	26.8 Cents	20.6 Cents
Dividends	*7*	19,297	14,226

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

(All amounts in RMB thousands unless otherwise stated)

	Note	**2007**	**2006**
ASSETS			
Non-current assets			
Property, plant and equipment		336,839	216,012
Land use rights		8,741	8,851
Intangible assets		40,347	29,261
Available-for-sale financial assets		400	400
		386,327	254,524
Current assets			
Inventories		45,489	38,932
Trade receivables	*8*	165,653	114,904
Prepayments and other receivables		46,216	25,819
Available-for-sale financial assets		–	100
Pledged bank deposits		32,158	47,626
Cash and cash equivalents		275,226	312,990
		564,742	540,371
Total assets		951,069	794,895
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		49,653	48,778
Other reserves		240,651	209,970
Retained earnings			
– Proposed final dividend	*7*	14,760	10,493
– Others		357,171	263,595
		662,235	532,836
Minority interest in equity		1,572	224
Total equity		663,807	533,060

	Note	2007	2006
LIABILITIES			
Non-current liabilities			
Borrowings		58,121	11,698
Current liabilities			
Borrowings		98,272	123,138
Trade payables and bills payable	*9*	54,890	91,808
Accruals and other payables		34,704	28,231
Deferred income on government grants		–	19
Derivative financial instruments		37,837	–
Amount due to directors		1,467	141
Amount due to a related company		–	3,880
Current income tax liabilities		1,971	2,920
		229,141	250,137
Total liabilities		287,262	261,835
Total liabilities and equity		951,069	794,895
Net current assets		335,601	290,234
Total assets less current liabilities		721,928	544,758

Notes:

1. Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, which are carried at fair value.

The following new standards, amendments to standards and interpretations are mandatory for financial year ended 31 December 2007:

HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the above standards, amendments to standards and interpretations did not have any significant financial impact on the Group's financial statements. The adoption of HKFRS 7 has resulted in additional disclosures on capital disclosures and sensitivity analysis on financial risks.

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 sale of goods.

	2007	**2006**
Sale of goods (net of value-added tax)	612,159	532,975

(b) Segment information

Primary reporting format – business segment

As at 31 December 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 year ended 31 December 2007 are as follows:

	Manufacturing	Trading	Total
Turnover	545,094	67,065	612,159
Operating profit	150,475	2,990	153,465
Unallocated corporate expenses			(9,062)
Finance costs			(6,355)
Profit before income tax			138,048
Income tax expense			(7,514)
Profit for the year			130,534

The segment results for the year ended 31 December 2006 are as follows:

	Manufacturing	Trading	Total
Turnover	419,904	113,071	532,975
Operating profit	111,589	2,819	114,408
Unallocated corporate expenses			(3,346)
Finance costs			(6,645)
Profit before income tax			104,417
Income tax expense			(8,982)
Profit for the year			95,435

Other segment items included in the consolidated income statement are as follows:

	Manufacturing		Trading	
	2007	2006	2007	2006
Depreciation	11,545	11,106	103	55
Amortisation	2,442	4,084	–	–
Impairment of intangible assets	1,664	4,450	–	–
Provision for/(reversal of) impairment of inventories	160	175	8	(31)
Provision for/(reversal of) impairment of trade receivables *(Note 8)*	632	124	16	(38)

The segment assets and liabilities as at 31 December 2007 and capital expenditure for the year then ended are as follows:

	Manufacturing	Trading	Unallocated	Total
Assets	633,567	10,118	307,384	951,069
Liabilities	125,091	1,811	160,360	287,262
	508,476	8,307	147,024	663,807
Capital expenditure	147,874	19	–	147,893

The segment assets and liabilities as at 31 December 2006 and capital expenditure for the year then ended are as follows:

	Manufacturing	Trading	Unallocated	Total
Assets	407,016	27,263	360,616	794,895
Liabilities	145,370	15,499	100,966	261,835
	261,646	11,764	259,650	533,060
Capital expenditure	61,312	716	–	62,028

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

Secondary reporting format – geographical segment

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

	2007	2006
Turnover		
– Mainland China	411,054	345,380
– Europe	99,912	126,822
– Asia (excluding Mainland China)	64,255	43,554
– Others	36,938	17,219
	612,159	532,975

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

	2007	2006
Total assets		
– Mainland China	899,938	739,824
– Hong Kong	48,872	54,656
– Unallocated	2,259	415
	951,069	794,895

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. Other gains – net

	2007	2006
Interest income from bank deposits	3,469	3,136
Amortisation of deferred income on government grants	19	115
Realised and unrealised loss on interest rate swaps – net	(1,430)	–
Net foreign exchange gains from interest rate swap	2,181	–
Others	–	1,701
	4,239	4,952

4. Operating profit

Expenses included in cost of goods sold, selling and marketing costs and administrative expenses are analysed as follows:

	2007	2006
Depreciation	11,648	11,161
Amortisation of prepaid operating lease payments	110	110
Amortisation of intangible assets	2,332	3,974
Impairment of product development costs	1,664	4,450
Employee benefit expense	27,682	22,406
Changes in inventories of finished goods and work-on-progress	39,190	62,644
Raw materials and consumables used	297,924	254,014
Transportation	15,577	12,960
Advertising	123	564
Operating lease payments	2,864	2,289
Auditors' remuneration	1,479	1,175
Net exchange loss	4,319	1,769

5. Income tax expense

	2007	2006
Current taxation		
– Mainland China enterprise income tax	7,514	8,982

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the relevant enterprise income tax rate in Mainland China, where substantially all of the Group's profit was earned, and the reconciliation is as follows:

	2007	2006
Profit before income tax	138,048	104,417
Tax calculated at domestic tax rates applicable to profits in the respective countries	12,334	7,969
Income not subject to tax	(6,971)	(665)
Tax losses for which no deferred income tax asset was recognised	2,151	1,678
Income tax expense	7,514	8,982

The weighted average applicable tax rate was 5.4% (2006: 8.6%).

6. 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.

	2007	2006
Profit attributable to equity holders of the Company	130,465	95,440
Weighted average number of ordinary shares in issue (thousands)	466,407	461,000
Basic earnings per share (RMB per share)	28.0 Cents	20.7 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.

	2007	**2006**
Profit attributable to equity holders of the Company	130,465	95,440
Weighted average number of ordinary shares in issue (thousands)	466,407	461,000
Adjustments assuming the exercise of share options (thousands)	20,626	2,818
Weighted average number of ordinary shares for diluted earnings per share (thousands)	487,033	463,818
Diluted earnings per share (RMB per share)	26.8 Cents	20.6 Cents

7. Dividends

During the year ended 31 December 2007, a final dividend for the year ended 31 December 2006 of RMB10,493,000 (HK2.3 cents/share) (2006: 2005 final dividend of RMB5,720,000 (HK1.2 cents/share) and an interim dividend for the year ended 31 December 2007 of RMB4,537,000 (HK1 cents/share) (2006: 2006 interim dividend of RMB3,733,000 (HK0.8 cents/share)), were paid by the Company, totalling RMB15,030,000 (2006: RMB9,453,000).

A final dividend in respect of the year ended 31 December 2007 of HK3.5 cents per share, totalling approximately of RMB14,760,000, is to be proposed at the annual general meeting on 9 May 2008. These financial statements do not reflect this dividend payable.

	2007	**2006**
Interim dividend paid of HK1 cents (2006: HK0.8 cents) per ordinary share	4,537	3,733
Proposed final dividend of HK3.5 cents (2006: HK2.3 cents) per ordinary share	14,760	10,493
	19,297	14,226

8. Trade receivables

	2007	**2006**
Trade receivables	167,737	116,340
Less: Provision for impairment of trade receivables	(2,084)	(1,436)
	165,653	114,904

The fair values of trade receivables approximate their carrying amounts.

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

	2007	2006
0 to 30 days	60,902	46,985
31 to 60 days	54,627	40,072
61 to 90 days	35,451	28,122
91 to 180 days	15,853	512
181 to 365 days	150	137
Over 365 days	754	512
	167,737	116,340
Less: Provision for impairment of trade receivables	(2,084)	(1,436)
	165,653	114,904

The credit quality of accounts receivable that are neither past due nor impaired can be assessed by reference to the historical information about counter party default rates. The existing counter parties do not have significant default in the past. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

9. Trade and bills payables

	2007	2006
Trade payables	8,202	16,548
Bills payables	46,688	75,260
	54,890	91,808

As at 31 December 2007, the aging analysis of trade payables and bills payable was as follows:

	2007	2006
0 to 30 days	11,194	20,660
31 to 60 days	31,071	21,017
61 to 90 days	4,150	18,230
91 to 180 days	7,676	30,647
181 to 365 days	28	84
Over 365 days	771	1,170
	54,890	91,808

All trade payables and bills payable are denominated in RMB.

FINAL DIVIDEND

In 2007, EcoGreen Fine Chemicals Group Limited ("the Company") and its subsidiaries (collectively "Ecogreen" or "the Group") recorded satisfactory business performance. In order to reward our shareholders for their continued support, the directors of the Company (the "Directors") have resolved to recommend a distribution of dividend.

The Directors will propose at the annual general meeting to be held on 9 May 2008 payment of final dividend of HK3.5 cents per share for the year ended 31 December 2007 to be payable in cash on 19 May 2008 to shareholders whose names are listed on the register of members of the Company on 9 May 2008. Together with the interim dividend of HK1 cent (2006: HK0.8 cents) per share, this will bring the total dividend distribution for the year to HK4.5 cents (2006: HK3.1 cents) per share.

CLOSURE OF REGISTERS OF MEMBERS

The transfer books and register of members of the Company will be closed from Wednesday, 7 May 2008 to Friday, 9 May 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers documents 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 Tuesday, 6 May 2008.

CHAIRMAN STATEMENT

Review

2007 is a year full of challenges and opportunities for the Group. For the year ended 31 December 2007, driven by a strong growth in the sales of our mainstream products, the growth momentum in its overall sales and profits for the whole year remained the same as the previous year, which demonstrated the Group's continuous efforts to enhance its management effectiveness and competitiveness as well as the brand recognition of the Group in the global market, which enabled the Group to become one of the worldwide influential fragrance suppliers. During the period, the Group recorded a turnover of RMB612,200,000 million, while profit amounted to RMB130,500,000 million, representing profit of RMB0.28 per share. To express our gratitude to the shareholders' support, the Board recommended to declare a final dividend of HK3.5 cents per share for the year.

During the year, the operation of the Group experienced tough challenges. Firstly, the significant reduction in export tax rebate rate, together with the continuing rapid appreciation of Renminbi during the year, exerted considerable pressure on the Group's export to the global market. Moreover, prices of major raw materials remained stable but still at high levels in 2007. Lastly, the PRC's macro-economic measures brought increasing pressure of tightened liquidity and increased borrowing costs on the Group. Under such circumstances, the Group still achieved satisfactory operating results, mainly attributable to the timely implementation of efficient measures. Firstly, the Group had taken the exchange rate into account during the negotiation of annual orders, in the anticipation of Renminbi appreciation at the end of 2006, which successfully reduced the impact of Renminbi appreciation. We successfully achieved the agreement on sharing the loss from lowered export tax rebate with our overseas customers in mid 2007 when export policies were amended. In addition, benefited from the consistent efforts in production management and continuous advancement in production techniques and processes, the Group further decreased its costs of product mix during the year. Under these conditions, one of the Group's mainstream products, Dihydromyrcenol, still achieved a 28% global sales growth, reflecting the Group's outstanding competitiveness in the global aroma chemicals market.

The Group continued to use natural resources such as botanic essential oils China as its major raw materials. Resources management strategies adopted in the previous stage has brought into effect during the year, which enabled the Group obtained a steady raw material supply and achieved an efficient costs control of raw materials under the fierce fluctuation of raw materials markets. Since the end of 2006, the Group has expanded its upstream resource management, which has started to make contribution from the second quarter of the year.

Regarding the expansion of new products and production capacity, we completed the main structure construction and equipment installation of the Group's Phase III extensor during the year and expected the trial run will commence in the second quarter of 2008. Such extension will mainly produce new flavour chemicals and part of aroma chemicals. In addition, the factory producing food additives located at Haicang Xinglin in Xiamen will also commence trial run in the second quarter of 2008. The completion and operation of such two projects will become new revenue sources for the Group.

Regarding strategic investment, the Group proactively continued the planning on its industry production layout on the 145 mu (approximately 97,000 square metres) of newly-purchased land in Changtai area of Fujian province in 2006, in the preparation to use this parcel of land as the extension base of process consolidation, industry expansion and future international industry cooperation at the next stage. The Group is also proactively preparing for the relevant resources. Currently, it has commenced the preparation of pre-construction, which is expected to commence construction in stages from the second half of 2008 and generate revenue in 2009 gradually. Besides, to increase the pace of its business growth, the Group has been proactively and prudently looking for opportunities to acquire or invest in enterprises or operations which will have synergies.

Outlook

The continuous growth in the PRC's economy and the general prosperity of global consumer market provide a favourable opportunity for EcoGreen. Despite the various uncertainties in the domestic and international macroeconomic environment combined with the anticipation of global economic downturn, owing to the increased of emerging markets together with aroma chemicals and food additives are the key components in daily necessities, the impact of economic cycle on fragrance industry is minimal in 2008. Therefore, we are still confident and optimistic about the development of fragrance industry as well as the Group's other relevant business in the foreseeable future.

The development of strategic resources management still aims at securing the stable supply of major natural raw materials origins the Group. The Group will capitalize on the practical management experience in existing resources origins in South-western China to further expand into resources in Southern China. We will carry out resources allotment in production chains of basic terpenic aroma chemicals in the forthcoming year which will grow into a new profit centre for the Group.

The development of food additives business is a new promising segment of the Group. The business uses seafood, vegetables and meat from the coastal areas of Xiamen and Fujian as raw materials and utilizes advanced production techniques and devices to produce unique quality natural extracts. In addition to existing customer base of flavor chemicals, we will also provide our products to domestic and multinational enterprises manufacturing frozen food, quality seasonings and instant food in domestic markets of the PRC. The first self-owned production line of the Group will commence production in the first half of 2008, which symbolized the beginning of full-scale operation of food additives business of the Group.

The development of intermediates business will continue to leverage on the research capability and cutting-edge technology of our wholly-owned subsidiary, Shanghai Fine Chemical Co., Limited, to establish long-term cooperation relationships with renowned international players in the pharmaceuticals and pesticide markets. We plan to enter into long term business relations with famous international pesticide manufacturers by capitalizing on our patent know-how on aroma chemicals green agrochemical intermediates in the coming year.

The development of aroma chemicals business is still the core of the Group's operation in the forthcoming year. In addition to maintaining stable growth of daily aroma chemicals business, with the completed construction and commencement of production of Phase III of Haicang Plant, a multi-functional workshop, we will also accelerate the development of flavour chemicals to realise the following targets:

1) As to the existing product mix, we intend to strengthen customer management and marketing services to continuously maintain our competitiveness in the international markets and seek for opportunities to further expand our production capacity;

2) As to the new flavour chemicals business, by enhancing our effort in production and marketing, we expect the business segment to contribute considerably larger operating revenue and become a significant contributor of the aroma chemicals business of the Group in the future;

3) As to the management of supply chains, we will leverage on the integrated advantages in product brands, operation management (research and development, production, technology and marketing) and resource management to implement the operational strategy of aroma chemicals production chain. Through our of the supply chain, we will gradually consolidate the process management existing basic terpenic aroma chemicals productivity in the PRC, striving for bringing operational contribution to the Group and realising the value creation of the brand "DOINGCOM" of the Group with the least capital expenditure in the coming years.

With the enhancement of core competitiveness as to our aroma chemicals business, the Group will grasp the opportunities arising from the migration of the industry as a result of the acquisitions and mergers and consolidations in the international flavor and fragrance industry. It is expected that the Group will make even more accomplishments in this respect in the coming year to further consolidate its leading role as an influential international aroma chemicals supplier in the industry.

BUSINESS REVIEW

In review of 2007, the Group was able to follow the trend of previous year and recorded a relatively faster growth rate in terms of business performance. Turnover for the year reached RMB612.2 million, an increase of 15% from the previous year. Excluding contributions from the supplementary trading and resource management business, core growth for our three major products reached 30%. Profit attributable to shareholders rose RMB35.0 million or 37% from the previous year to RMB130.5 million. Earnings per share were approximately RMB28.0 cents.

Sales and Marketing

During the year under review, the Group manufactured over 50 fine chemical products. The analysis of turnover and gross profit of the Group's various products for the years ended 31 December 2007 and 31 December 2006 are as follows:

	Turnover		**Gross Profit**	
	2007	**2006**	**2007**	**2006**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Aroma chemicals	372,097	261,309	120,464	83,118
Natural extracts	108,247	97,666	37,373	35,520
Intermediates	64,750	60,929	45,276	41,480
Trading and resource management	67,065	113,071	6,304	9,882
Turnover/gross profit of the Group	612,159	532,975	209,417	170,000

Aroma Chemicals

Aroma Chemicals division continued to be the Group's core business during the year under review, and constituted a stable and major income source for the Group. During the year under review, since aroma chemicals are primarily used as an essential and functional ingredient in many daily consumer goods, with a combined positive effect of its diversified applications and the pursuing of quality life in modern society, market demand continued to rise, generating more sales for the Group's aroma chemicals business.

For the year ended 31 December 2007, with increases in orders placed by existing customers and the selling prices, turnover of aroma chemicals significantly surged 42% to RMB372.1 million, accounting for 61% of the Group's turnover (2006: 49%) and a gross profit margin of 32.4% (2006: 31.8%). Dihydromyrcenol was the major contributor which brought a revenue of RMB107 million to the Group. Its sales increased 28% over the corresponding period last year and accounted for 29% of the total revenue for this product category.

In addition, the launch of certain new food flavour materials during the year was well responded by the market. Based on a small scale production, the production has already contributed RMB40.0 million to the Group's revenue, with a profit margin amounted to 43%, which is higher than the profit margin of our existing daily aroma chemicals products and represents our new growth source in the future.

Natural Extracts

In respect of the Natural Extracts division, apart from existing natural pharmaceutical raw materials, the Group has been actively engaged in the development of food flavour materials business and produced with bio-conversion and purification technologies on natural products, which mainly include seafood, meat and edible mushroom extracts.

During the year under review, the Group's natural extract business just maintained steady growth as the new food additives business has been advancing towards full scale production capability and the market demand for natural pharmaceutical raw materials became stable. Turnover of this business category increased 11% to RMB108.2 million, accounting for 18% (2006:18%) of the Group's sales. Gross profit margin was dropped to 34.5%, compared to 36.4% of last year. The performance of Natural Cinnamic Aldehyde was still relatively more outstanding under this business category. This product contributed a revenue of RMB31.9 million to the Group and its sales increased 13% over the corresponding period last year and accounted for 29% of the total revenue for this product category.

Intermediates

Besides the chiral pharmaceutical raw materials and pharmaceutical intermediates, the Group has also expanded the scope of this business segment by applying similar advanced technologies to synthesis production as well as the production of agrochemical intermediates a kind of pesticide used for regulating the growth of plants.

During the year under review, orders for the Group's intermediate products maintained steady. Turnover increased 6% from the corresponding period last year to RMB64.8 million, accounting for 11% (2006: 12%) of the Group's sales. Gross profit margin rose to 70% from 68.0% of the corresponding period last year. The gross profit margin of this product category of the Group was still higher than its peers in the industry. 3-Phenylpropanal Aldehyde is the major product of the intermediate business segment. Sales for this product category accounted for 42% of the overall sales of this business category and contributed a revenue of RMB26.9 million to the Group.

Trading and Resource Management

Trading and resource management division is always a supplement to the Group's core business in the previous year. In the past, comprised mostly the integrated sales of the raw materials of aroma chemicals. As the source of this division is the same as the natural materials, in view of the assured supply of future strategic resources and the integration and management of industry chain, the Group has repositioned the focus of such business and gradually launched an effective management of relevant strategic resources, including mainly the gum rosin, gum turpentine and other special botanic essential oils and their by products, to secure a stable supply of the major resources of the Group as well as revenue contribution. For the year ended 31 December 2007, sales of the Group's trading and resource management business amounted to RMB67.1 million, accounting for 11% of the Group's turnover, and contribution to gross profit was approximately RMB6.3 million. Despite the active adjustment undertaken, this business segment also brought considerable sales and profit contribution to the Group during the year under review.

For such business, the existing major objective of integrated sales is to improve the quality of the Group's sales services so as to satisfy the customer demands and to provide a more comprehensive product portfolio and value-added services to its clients, which will in turn enhance the status of the Group and "DOINGCOM" brand in the industry.

Operations

Although China's macro economic environment and the international flavour and fragrance sector in 2007 were satisfactory, uncertainties arising from high raw material prices, Renminbi appreciation, interest rate hikes and the decrease of export tax rebates adversely affected a majority of different industries. Such factors also created more upward pressure on the operating cost of the Group. Leveraging on its solid foundation in the industry, the Group proactively adopted various effective measures in its operating strategy, and implemented resources operation strategy to minimise the impact of the cost fluctuation of raw materials. In addition, through the integration of operations over existing facilities of Phase I and II of Xiamen Plant, and the continuous enhancement of technology continuously, while effectively lowered the overall production costs, and enhanced the Group's competitiveness as well as mitigated operating exposures under rising costs in the industry around the world.

Customers

Over the years, the Group has established a solid clientele around the globe, with a relatively diversified client portfolio, which includes global top ten multinational flavour and fragrance manufacturers, major household and personal care product manufacturers, natural pharmaceutical plants, pharmaceutical raw material plants and intermediate traders. Operating edges such as premium product quality and reliable supply have enabled the Group to maintain the long-term good collaborative relationship with clients. During the period under review, the number of the Group's clients exceeded 170. Turnover contributed from the Group's five largest clients increased from 31% to 33% in 2007.

To further strengthen the good relationship with clients, the Group will continue to propose reasonable solutions according to clients' needs on a timely basis, and actively sought for strategic partnerships with major multinational flavour and fragrance manufacturing enterprises. The Group will actively explore new client relationship to expand its existing product market share and launch out new products.

The Group's "DOINGCOM" brand has built up strong reputation amongst international peers.

Production

The Group completed the Phase II expansion of Haicang Plant, Xiamen at the end of 2005. The utilisation rate of facilities has reached over 95% during the year under review. The Phase III expansion is expected to be put into operation in the second quarter of 2008, upon which the annual aggregate processing capacity, which is mainly attributable to the processing capacity of botanic essential oils, will increase from currently 16,000 metric tonnes to 20,000 metric tonnes. The new Phase III will serve as the production platform of various new products and new product mix so as to provide a better foundation for the Group's business growth during the year. Looking ahead into future business and product development, aside from the completion of Phase III construction according to schedule, the Group will also further expand its production capacity according to the medium to long term market demands on a cautious and timely basis, as well as continuously develop new technologies, to further lift up its integrated production efficiency. At the same time, the Group will actively establish its production layout on the 145mn (approximately 97,000 square metres) of Changtai's newly-purchased land in Fujian and use it as the Group's new base for business expansion and international industrial cooperation in the future.

Research and Development

The Group has always been putting great efforts on the research and development of new products. During the year under review, the Group focused on strengthening its own research and development team by inviting a number of professional technological research experts to join the Group which includes professionals with master degree and post-doctor, from oversea universities. The Group's research and development centre at Xiamen and its Shanghai research and development team currently employ more than 50 research and development staff with extensive experience, accounting for about 16.7% of total headcount.

On the other hand, the Group successfully initiates new research and development projects through new strategic alliances with international peers. Leveraging on the advanced facilities and underlying resources of various academic and research institutes in China, the Group further strengthened its research capability through joint research and development and acquisition of proprietary technological know-how. Such institutes include Nanjing University, Xiamen University, Shanghai University of T.C.M., South China University of Technology, Jiangnan University, Guangdong Ocean University, Chinese Academy of Sciences, Shanghai Organic Chemistry Institute and Chinese Academy of Sciences, Guangzhou Chemistry Institute.

For the year ended 31 December 2007, costs of the Group's product development, and costs of acquisition of patents and technological know-kow capitalised totalled to approximately RMB15.1 million (2006: RMB15.0 million), amortisation of costs of product development, patents and technological know-how amounted to RMB2.3 million (2006: RMB4.0 million) and impairment of product development cost of RMB1.7 million (2006: 4.5 million).

FINANCIAL REVIEW

Turnover

The Group's turnover for the year ended 31 December 2007 amounted to RMB612.2 million, representing a steady growth of 15%. Excluding the revenue from trading and resource management products, turnover reached RMB545.1 million, achieving a rapid growth of 30% when compared to last year. This non-core business has a certain profit contributions to the Group. Though its turnover during the year under review decreased by 41% when compared to last year due to the lower profit margin of the trading and resource management business, it has increased the overall gross profit margin of the Group to 34.2% from 31.9% as recorded in last year.

Analysing by the Group's products category, turnover of aroma chemicals reached RMB372.1 million, representing a year-on-year increase of 42% as compared to RMB261.3 million in 2006; turnover of natural extracts and intermediates reached RMB108.2 million and RMB64.8 million respectively, representing a year-on-year increase of 11% and 6% as compared to RMB97.7 million and RMB60.9 million respectively in 2006.

Geographically, domestic sales of the Group's fine chemical products surged by 19% as compared to that of 2006 whereas the overseas sales of the Group's fine chemical products increased by 7% as compared to that of 2006. Eliminating the portion of trading and resource management of the products, the Group's overseas sales of natural products increased by 80% over 2006.

Gross Profit

During the year under review, the gross profit of the Group amounted to RMB209.4 million, representing a growth of 23%. The gross profit margin of the Group increased from 31.9% in 2006 to 34.2% in 2007. The growth of the Group's gross profit margin was mainly attributable to a decline of the trading and resource management business, which recorded a lower profit margin and the effective implementation of cost control. In particular, amid the continuous high price level of raw materials, the Group successfully carried out resources strategies to monitor production costs.

Analysing by the Group's products category, the gross profit margin of aroma chemicals increase from 31.8% in 2006 to 32.4% in 2007, while natural extracts decrease from 36.4% in 2006 to 34.5% The increase of profit margin of intermediates from 68.1% in 2006 to 69.9% in 2007. The gross profit margin of trading and resource management was increased from 8.7% in 2006 to 9.4% in 2007.

Operating Income and Expense

Other net revenues include the interest income from bank deposits, the amortisation of deferred income on government grants and net realized and unrealized amount of interest rate swap. The decrease of RMB2.9 million in other net revenue was mainly due to the net loss of RMB1.4 million in interest rate swap and a decrease of other revenue of approximately RMB1.7 million during the year under review. Such interest rate swap was a new approach made by the Group upon a full analysis over the opportunities and risks in the market and the consideration of capital requirements for foreign exchange. Although during the period under review, a loss was recorded in its book value due to the accounting treatment, the Group has capitalized on the favourable market conditions in the second quarter of 2008 and closed the position in advance. The financial gain realized in this transaction will be recognized in the account of 2008.

The increase of RMB2.7 million in selling and marketing expenses was mainly due to an increase of transportation cost and packaging expenses resulting from an increase of export sales in the year under review. Selling and marketing expenses as a percentage of sales decreased from 4.2% to 4.1%.

The increase of RMB0.5 million in administrative expenses include, among the others, an increase of employment cost of RMB5.3 million, a decrease of research and development expenses of RMB2.3 million and a decrease of impairment of product development cost of RMB2.8 million in the year under review. Administrative expenses for 2007 represented 6.9% of its turnover (2006: 7.8%).

The finance expenses recorded a decrease of RMB0.3 million as compared with that of last year, mainly due to a decrease of interest expenses resulting from actively maintaining a balanced borrowing portfolio of the Group and reducing its borrowing costs by using different types of borrowings. The Group will seek for effective restructuring of its borrowing portfolio and financial asset management to reduce the Group's financing cost or increase the revenue from fund management in such an unfavorable market environment due to the rising interest rate and tightening liquidity in the PRC and the recent global interest rate cut cycle.

Income tax expense

Income tax expense of the Group for the year ended 31 December 2007 was RMB7.5 million, representing a decrease of 16% as compared with RMB9.0 million in last year. The reduction in income tax expenses is due to a preferential tax offer enjoyed by the subsidiaries of the Group starting from 2007, with two years tax-free and three years tax reduction. The effective income tax rate was 5.4% (2006: 8.6%).

Profit for the year

Profit for the year ended 31 December 2007 was RMB130.5 million representing an increase of 37% as compared with RMB95.4 million last year. The net profit ratio of the Group increased from 17.9% in last year to 21.3% in this year. If excluding the trading and resource management segment, the net profit ratio of the Group was 23.4% (2006: 22.1%).

Liquidity, Financial Resources and Capital Structure

During the year under review, the Group's primary source of funding mainly involved the cash generated from operating activities and the financing by the bank borrowings. With the financial resources obtained from the Group's operations, the Group had utilized RMB147.9 million (2006: RMB62.0 million) in the capital expenditure and paid dividend of RMB15.0 million (2006: 9.5 million) during the year. As at 31 December 2007, the Group had cash and bank deposits of approximately RMB307.4 million (2006: RMB360.6 million).

The Group's financial position remains very solid and healthy during the year under review. As at 31 December 2007, the net current assets and the current ratio of the Group were approximately RMB335.6 million (2006: RMB290.2 million) and 2.5 (2006: 2.2), respectively.

As at 31 December 2007, the Group had bank borrowings of approximately RMB122.5 million (2006: RMB101.0 million), government loans from State Development and Reform Commission, Xiamen Development Planning Commission and other Mainland China government bureaus to finance the Group's product development activities and expansion of production facilities of approximately RMB33.9 million (2006: RMB33.9 million). As at 31 December 2007, the Group's gearing ratio which is represented by the ratio of total borrowings to total shareholders' equity, was approximately 24% (2006: 25%) and the Group's net cash balance, being cash and cash equivalents plus pledged bank deposits less borrowings amounted to RMB151.0 million (2006: 225.8 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.

Charges on assets

As at 31 December 2007, bank deposit of RMB32.2 million (2006: nil), certain property, plant and equipment of the Group with an aggregate net book value of about RMB94.5 million (2006: RMB92.1 million) and land use rights of RMB2.4 million (2006: RMB4.8 million) were pledged to secure the Group's bank borrowings.

Contingent Liabilities

As at 31 December 2007, neither the Group nor the Company had any significant contingent liabilities.

Capital Commitment

As at 31 December 2007, the Group had capital commitments of approximately RMB19.6 million (2006: RMB108.8 million) in respect of purchases of property, plant and equipment, construction-in-progress, product development projects and land use rights.

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 2007, the Group's borrowings of approximately RMB133.9 million were denominated in Renminbi. The Group's cash and bank deposits (comprise cash and cash equivalents and pledged bank deposits) denominated in Renminbi amounted to RMB296.6 million of the total balance, with the remaining balance of approximately RMB10.8 million denominated in Hong Kong dollars and United States dollars.

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 2007, the Group has 301 full-time employees of which 296 are based in the PRC. For the year under review, the total employment costs incurred for 2007 including directors' emolument amounted to RMB27.7 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 also 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.

CORPORATE GOVERNANCE

The Company's corporate governance practice are based on the principles and the code provisions (the "Code Provisions") as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). In the year under review, the Company has complied with most of the Code Provisions save for the deviations from the Code Provisions A.2.1. The following explains the deviations from the CG Code.

Segregation of Rules of Chairman and Chief Executive Officer ("CEO")

The Company has not yet adopted A.2.1. Under the code provision A.2.1 of the CG Code, the roles of Chairman and CEO should be separate and would 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.

ANNUAL GENERAL MEETING

The 2008 annual general meeting ("the AGM") of the Company will be held at Sutie 3706, 37/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 9 May 2008 at 2:30 pm. The Notice of AGM will be despatched to shareholders of the Company on or about Thursday, 17 April 2008.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed the Group's consolidated financial statements for the year ended 31 December 2007, including the accounting principles and practices adopted by the Group, including the accounting policies and practices adopted by the Group, in conjunction with the Group's external auditors.

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

During the year ended 31 December 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 securities.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange (www.hkex.com.hk) as well as the website of the Company (www.ecogreen.com). The 2007 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 due course.

BOARD OF DIRECTORS

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. Lin Like and Mr. Han Huan Guang, one non-executive Directors, namely Dr. Zheng Lansun, Mr. Yau Fook Chuen and Mr. Wong Yik Chung, Joohn.

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

Hong Kong, 9 April 2008