EcoGreen Fine Chemicals Group Limited
中怡精細化工集團有限公司*
(Incorporated in the Cayman Islands with limited liability)
Website: www.ecogreen.com
(Stock Code: 2341)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

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 2008, together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

	Note	**2008** **RMB'000**	2007 RMB'000
Turnover	2	**739,973**	612,159
Cost of goods sold	3	**(518,929)**	(402,742)
Gross profit		**221,044**	209,417
Other losses – net		**(253)**	(4,163)
Selling and marketing costs	3	**(28,437)**	(24,816)
Administrative expenses	3	**(51,609)**	(40,319)
Operating profit		**140,745**	140,119
Finance income	4	**3,175**	3,469
Finance costs	4	**(9,951)**	(5,540)
Finance costs – net	4	**(6,776)**	(2,071)
Profit before income tax		**133,969**	138,048
Income tax expense	5	**(19,513)**	(7,514)
Profit for the year		**114,456**	130,534
Attributable to:			
Equity holders of the Company		**114,237**	130,465
Minority interest		**219**	69
		114,456	130,534
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
– Basic	6	**24.4 Cents**	28.0 Cents
– Diluted	6	**23.9 Cents**	26.8 Cents
Dividends	7	**16,818**	19,297

* *For identification purpose only*

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
ASSETS			
Non-current assets			
Land use rights		**8,631**	8,741
Property, plant and equipment		**375,818**	336,839
Intangible assets		**57,441**	40,347
Investment in an associate		**1,750**	–
Available-for-sale financial assets		**400**	400
		444,040	386,327
Current assets			
Inventories		**76,138**	45,489
Trade receivables	8	**192,006**	165,653
Prepayments and other receivables		**81,493**	46,216
Pledged bank deposits		**37,364**	32,158
Cash and cash equivalents		**386,619**	275,226
		773,620	564,742
Total assets		**1,217,660**	951,069
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**49,232**	49,653
Share premium		**181,841**	188,888
Other reserves		**56,057**	51,763
Retained earnings			
– Proposed final dividend	7	**11,888**	14,760
– Others		**446,663**	357,171
		745,681	662,235
Minority interest in equity		**3,291**	1,572
Total equity		**748,972**	663,807

	Note	2008 RMB'000	2007 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**224,456**	58,121
Derivative financial instruments		**5,014**	–
Deferred tax liabilities		**13,500**	–
		242,970	58,121
Current liabilities			
Trade payables and bills payable	*9*	**69,764**	54,890
Current income tax liabilities		**2,070**	1,971
Borrowings		**121,019**	98,272
Derivative financial instruments		**–**	37,837
Accruals and other payables		**31,860**	34,704
Amounts due to directors		**1,005**	1,467
		225,718	229,141
Total liabilities		**468,688**	287,262
Total equity and liabilities		**1,217,660**	951,069
Net current assets		**547,902**	335,601
Total assets less current liabilities		**991,942**	721,928

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards. 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.

Certain comparative figures have been reclassified to conform to the current year presentation. The major reclassifications for the 2007 comparative figures include reclassification of (i) interest income from "other loss – net" to "finance costs – net" and (ii) exchange losses/gains arised from operating activities and financing activities from "administrative expenses" to "other loss – net" and "finance costs – net" respectively.

Amendments and interpretations effective in 2008 but are not relevant nor have any impact to the Group's financial statements

HKAS 39, 'Financial instruments: Recognition and measurement'.

HK(IFRIC) – Int 11, 'HKFRS 2 – Group and treasury share transactions'.

HK(IFRIC) – Int 12, 'Service concession arrangements'.

HK(IFRIC) – Int 14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'.

The Group has not early adopted the new and revised standards, amendments or interpretations that have been issued but are not yet effective for the Group in 2008. Details of these are included in the consolidated financial statements.

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.

	2008	2007
	RMB'000	*RMB'000*
Sale of goods (net of value-added tax)	**739,973**	612,159

(b) Segment information

Primary reporting format – business segment

As at 31 December 2008, 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 2008 are as follows:

	Manufacturing *RMB'000*	**Trading** *RMB'000*	**Total** *RMB'000*
Turnover	**630,694**	**109,279**	**739,973**
Operating profit	**154,974**	**887**	**155,861**
Unallocated corporate expenses			**(15,116)**
Finance costs – net			**(6,776)**
Profit before income tax			**133,969**
Income tax expense			**(19,513)**
Profit for the year			**114,456**

The segment results for the year ended 31 December 2007 are as follows:

	Manufacturing *RMB'000*	Trading *RMB'000*	Total *RMB'000*
Turnover	545,094	67,065	612,159
Operating profit	147,192	2,892	150,084
Unallocated corporate expenses			(9,965)
Finance costs – net			(2,071)
Profit before income tax			138,048
Income tax expense			(7,514)
Profit for the year			130,534

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

	Manufacturing		**Trading**	
	2008 *RMB'000*	2007 *RMB'000*	**2008** *RMB'000*	2007 *RMB'000*
Depreciation	**21,170**	11,545	**96**	103
Amortisation	**5,227**	2,442	**–**	–
Impairment of intangible assets	**5,412**	1,664	**–**	–
Provision for impairment of inventories	**6,656**	160	**5**	8
Provision for/(reversal of) impairment of trade receivables *(Note 8)*	**51**	632	**(29)**	16

The segment assets and liabilities as at 31 December 2008 and capital expenditure for the year then ended are as follows:

	Manufacturing *RMB'000*	**Trading** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Assets	**790,027**	**3,650**	**423,983**	**1,217,660**
Liabilities	**131,690**	**9,372**	**327,626**	**468,688**
	658,337	**(5,722)**	**96,357**	**748,972**
Capital expenditure	**87,845**	**91**	**–**	**87,936**

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

	Manufacturing *RMB'000*	Trading *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
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

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, land use rights, and intangible assets.

Secondary reporting format – geographical segment

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

	2008 *RMB'000*	2007 *RMB'000*
Turnover		
– Mainland China	**509,424**	411,054
– Europe	**117,290**	99,912
– Asia (excluding Mainland China)	**82,295**	64,255
– Others	**30,964**	36,938
	739,973	612,159

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

	2008	2007
	RMB'000	*RMB'000*
Total assets		
– Mainland China	**1,145,388**	899,938
– Hong Kong	**70,039**	48,872
– Unallocated	**2,233**	2,259
	1,217,660	951,069

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. EXPENSES BY NATURE

	2008	2007
	RMB'000	*RMB'000*
Depreciation	**21,266**	11,648
Amortisation of prepaid operating lease payments	**110**	110
Amortisation of intangible assets	**5,117**	2,332
Impairment of inventories	**6,661**	168
Impairment of trade receivables *(Note 8)*	**22**	648
Impairment of intangible assets	**5,412**	1,664
Impairment of other receivables	**3,000**	–
Employee benefit expense	**26,708**	27,682
Changes in inventories of finished goods and work-in-progress	**48,293**	39,190
Raw materials and consumables used	**377,392**	297,924
Transportation	**17,549**	15,577
Advertising	**255**	123
Operating lease payments	**3,643**	2,864
Auditor's remuneration	**1,521**	1,479
Other expenses	**82,026**	66,468
Total cost of sales, selling and marketing costs and administrative expenses	**598,975**	467,877

4. FINANCE INCOME AND COSTS – NET

	2008	2007
	RMB'000	*RMB'000*
Interest expense on:		
– Bank borrowings wholly repayable within five years	**(18,083)**	(5,623)
– Government loans wholly repayable within five years	**(605)**	(605)
– Government loans not wholly repayable within five years	**(127)**	(127)
Net foreign exchange gains on financing activities	**8,267**	815
Fair value gain on derivative financial instruments		
– Interest rate swaps: cash flow hedges, transfer from equity	**597**	–
Finance costs	**(9,951)**	(5,540)
Finance income		
– Interest income on short term bank deposits	**3,175**	3,469
Net finance costs	**(6,776)**	(2,071)

5. INCOME TAX EXPENSE

	2008	2007
	RMB'000	*RMB'000*
Current tax		
– Mainland China enterprise income tax	**6,173**	7,514
– Over provision in previous years	**(160)**	–
Deferred tax		
– Withholding tax on profits of the PRC subsidiaries	**13,500**	–
	19,513	7,514

Notes:

(a) Hong Kong profits tax

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

(b) Mainland China enterprise income tax

The subsidiaries established in Xiamen, Fujian Province, Mainland China are subject to Mainland China enterprise income tax at a rate of 18% (2007: 15%). In August 2003, Xiamen Doingcom Chemical Co., Ltd. was accredited as a New High Technology Enterprise and accordingly is exempted from payment of enterprise income tax for two years starting from year 2003. In November 2006, Xiamen Doingcom transformed from a domestic enterprise to a wholly foreign owned enterprise. It has obtained approval from Mainland China Tax Bureau to be exempted from enterprise income tax for two years starting from the first year of profitable operations, followed by a 50% reduction in enterprise income tax for the following three years. Xiamen Doingcom has commenced to enjoy its tax holiday in year 2007.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("the New Tax Law") which will take effect on 1 January 2008. From 1 January 2008, the income tax rate for the operating subsidiaries mentioned above will be gradually changed to the standard rate of 25% over a five-year transition period. According to the Circular 39 passed by the State Council on 26 December 2007, the tax exemption and reduction will be terminated latest by 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) Mainland China value-added tax

The subsidiaries established in Mainland China are subject to Mainland China value-added tax ("VAT") at 17% (2007: 17%) of revenue from sale of goods in Mainland China and entitled to a VAT export refund at 9% (2007: 5%) from sale of goods outside Mainland China. Input VAT paid on purchases can be used to offset output VAT levied on sales to determine the net VAT recoverable/payable.

(e) Withholding tax

Pursuant to the PRC Corporate Income 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. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends 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 equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2008	2007
Profit attributable to equity holders of the Company (RMB'000)	**114,237**	130,465
Weighted average number of ordinary shares in issue (thousands)	**467,533**	466,407
Basic earnings per share (RMB per share)	**24.4 Cents**	28.0 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.

	2008	2007
Profit attributable to equity holders of the Company (RMB'000)	**114,237**	130,465
Weighted average number of ordinary shares in issue (thousands)	**467,533**	466,407
Adjustments assuming the exercise of share options (thousands)	**9,501**	20,626
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**477,034**	487,033
Diluted earnings per share (RMB per share)	**23.9 Cents**	26.8 Cents

7. DIVIDENDS

During the year ended 31 December 2008, a final dividend for the year ended 31 December 2007 of RMB14,760,000 (HK3.5 cents/share) (2007: 2006 final dividend of RMB10,493,000 (HK2.3 cents/share)) and an interim dividend for the year ended 31 December 2008 of RMB4,930,000 (HK1.2 cents/share) (2007: 2007 interim dividend of RMB4,537,000 (HK1 cents/share)), were paid by the Company, totalling RMB19,690,000 (2007: RMB15,030,000).

A final dividend in respect of the year ended 31 December 2008 of HK2.9 cents per share, totalling approximately of RMB11,888,000, is to be proposed at the annual general meeting on 15 May 2009. These financial statements do not reflect this dividend payable.

	2008 ***RMB'000***	2007 *RMB'000*
Interim dividend paid of HK1.2 cents (2007: HK1.0 cents) per ordinary share	**4,930**	4,537
Proposed final dividend of HK2.9 cents (2007: HK3.5 cents) per ordinary share	**11,888**	14,760
	16,818	19,297

8. TRADE RECEIVABLES

	2008	2007
	RMB'000	*RMB'000*
Trade receivables	**194,112**	167,737
Less: Provision for impairment of trade receivables	**(2,106)**	(2,084)
	192,006	165,653

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:

	2008	2007
	RMB'000	*RMB'000*
0 to 30 days	**77,103**	60,902
31 to 60 days	**53,003**	54,627
61 to 90 days	**46,593**	35,451
91 to 180 days	**16,904**	15,853
181 to 365 days	**343**	150
Over 365 days	**166**	754
	194,112	167,737
Less: Provision for impairment of trade receivables	**(2,106)**	(2,084)
	192,006	165,653

The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to the historical information about counter party default rates. The existing counterparties 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 PAYABLES AND BILLS PAYABLE

	2008	2007
	RMB'000	*RMB'000*
Trade payables	**12,722**	8,202
Bills payable	**57,042**	46,688
	69,764	54,890

As at 31 December 2008, the aging analysis of trade payables and bills payable is as follows:

	2008	2007
	RMB'000	*RMB'000*
0 to 30 days	**25,025**	11,194
31 to 60 days	**4,628**	31,071
61 to 90 days	**14,587**	4,150
91 to 180 days	**24,710**	7,676
181 to 365 days	**109**	28
Over 365 days	**705**	771
	69,764	54,890

The fair values of trade payables and bills payable approximate their carrying amounts.

FINAL DIVIDEND

In 2008, EcoGreen Fine Chemicals Group Limited ("the Company") and its subsidiaries (collectively "Ecogreen" or "the Group") recorded a stable business performance despite the tough operating environment. 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 15 May 2009 payment of final dividend of HK2.9 cents per share for the year ended 31 December 2008 to be payable in cash on 25 May 2009 to shareholders whose names are listed on the register of members of the Company on 15 May 2009. Together with the interim dividend of HK1.2 cent (2007: HK1.0 cents) per share, this will bring the total dividend distribution for the year to HK4.1 cents (2007: HK4.5 cents) per share.

CLOSURE OF REGISTERS OF MEMBERS

The transfer books and register of members of the Company will be closed from Wednesday, 13 May 2009 to Friday, 15 May 2009, 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, 12 May 2009.

CHAIRMAN'S STATEMENT

Review

The Group is pleased to report the financial results for the year ended 31 December 2008.

After going through the tightening currency policy under the implementation of macroeconomic austerity measures by the PRC government to suppress overheated economic growth during the beginning of the year, and the disastrous financial turmoil induced by the U.S. sub-prime mortgage crisis in mid-2008, the Group has encountered unprecedented challenges. However, driven by the steady growth in the sales of our mainstream products as well as the launch of new products, the Group's overall sales and operating profits for the whole year remained a moderate growth. During the period, the Group recorded a turnover of RMB740 million, representing an increase of 21% compared with that of last year; EBITDA for the corresponding period was RMB179 million, slightly increased from RMB158 million in 2007; profit attributable to shareholders decreased 12% to RMB114 million. The earnings per share amounted to RMB0.24 in 2008, while it was RMB0.28 per share in 2007. To express our gratitude to the shareholders' support, the Board recommended to declare a final dividend of HK2.9 cents per share for the year.

As the Group's anticipation in the Interim Report, the operating environment would remain challenging in the second half of 2008 and the downward trend might sustain in the global economy, the Group was prudent and optimistic towards the result of the second half of the year. Despite that the subsequent adverse effect from the U.S. sub-prime mortgage crisis was then gradually revealed since the fourth quarter, the Group still secure steady income with its brand recognition in the global market. One of the Group's mainstream products, Dihydromyrcenol, achieved a 9% global sales growth, reflecting its product's strong competitiveness in the global aroma chemicals market.

During the year, the Group's operation has faced a difficult challenge. The Group used China natural resources such as botanic essential oils as its major raw materials. The price of one of the major raw materials, turpentine, kept surging to a record high in the second half of 2008. Resources management strategies adopted by the Group in the previous stage has brought into critical effect during the year, which enabled the Group obtained a steady raw material supply under the fierce fluctuation of raw materials markets. Yet, the rising costs of raw materials have inevitably brought greater impact on the profitability of the Group's products. In respect of this, under the pressure of high material costs, the Group then increased the product prices and launched sales portfolios with higher margins. The Group also adopted cost-effective measures to optimize cost control during the year, in the hope of minimizing the adverse effect on the Group's profits. The gross profit margin only decreased a 4.3% point from 34.2% in 2007 to 29.9%.

Regarding the expansion of new products and production capacity, the Group's Phase III main expansion in Haicang, Xiamen completed during the year and the trial run was commenced in the second half of the year as scheduled. This plant mainly produces new flavour chemicals and part of aroma chemicals. The launch of the relevant new products has also become new revenue source for the Group during the year, in particular the flavour chemicals already achieved an annual sales of RMB52.7 million, while its gross profit margins was 46%. In addition, the factory producing food additives located at Haicang Xinglin in Xiamen also commenced trial run in the second quarter of 2008. The Xinglin Plant uses seafood, meat and mushrooms as raw materials to produce unique quality natural extracts, to use in food additives or seasonings for functional food. Following trial production during the year, it has already started to contribute to sales and gross profit to the Group.

Given the economic downturn brought by the financial turmoil, the global economic condition is full of uncertainty. The Group has adopted a prudent investment strategy and reviewed its original investment plan during the second half of 2008. It also appropriately adjusted the construction schedule for the plant in Changtai area of Fujian province. Apart from the fundamental civil engineering and the industry production layout are still in progress, it is expected that the construction of main project will be commenced in stages from the second half of 2009 and each of them will generate revenue in late 2010. The Group will make further review properly according to the change of the market and economic environment during the implementation of that project in the future. Besides, to increase the pace of its business growth, the Group has been proactively and prudently looking for opportunities to acquire enterprises or operations which may give synergistic effects.

During the year, in view of the changes in the global and PRC capital markets, with the strong support of overseas banks, the Group promptly completed the adjustments on its overall loan structure in the first half of the year, increasing middle to long term borrowings in foreign currencies, in particular, US dollars, and reducing the proportion of loans in RMB, so as to better capitalise on the significant decrease in costs from the difference in interest rates between foreign currencies and RMB, and at the same time flexibly and effectively hedge the exposure of the future appreciation of RMB. The gain is reflected in the results for the first half of the year.

Outlook

The financial turmoil in 2008 has badly influenced the global economy. It is expected that global financial and economic environment will remain uncertain and challenging. Both the confidence of various sectors and consumers on consumption are deeply dampened. Although the PRC government launched a RMB4,000 billion domestic economy stimulus plan to tackle the rapid deteriorating global economy, it is estimated that the effectiveness for such economy stimulus plan takes time to show. Accordingly, under the several possible adverse conditions, the Group will adopt a more prudent operation strategy for the upcoming year. Through cost-cutting and revenue generation, the Group would try its utmost for better business performance. Meanwhile, by strengthening interaction with major customers and industry cooperation to further expand market, launching new products for increasing revenue on a timely basis, continually optimizing production techniques and new technologies for enhancing production capacity and lowering cost, introducing effective management of raw material resources for stable supply and cost control, and cautiously maintaining sufficient working capital to combat with the possible credit risk, the Group would try to turn the "crisis" into "opportunity" so as to regain impetus for rapid growth beyond several years from now and expand further during the crisis.

Looking forward to 2009, under the effective measures of the PRC Government, it is evident that Mainland China's economy is very likely to recover faster from the financial turmoil than other countries and sustain higher growth. Given that approximately 68% of the Group's turnover was derived from the Mainland market, the Group will be in an advantageous position which enables it enjoying benefits from the PRC's improving economy.

Moreover, we have also noted the unfavourable factors risen in the first half of 2008, such as hiking raw material prices, appreciation of RMB and the tightening of Chinese austerity, are now diminishing as a result of this financial turmoil. Driven by the economy stimulus plans from all countries, consumers will progressively gain confidence again and stimulate market demand worldwide, especially China and various developing countries. In addition, owing to products of aroma chemicals and food additives, which the Group is currently concentrating on, are the key components of consumers' daily necessities, the impact of the economic cycle is relatively low. Therefore, we are still confident and optimistic about the development of the flavor and fragrance industry as well as the Group's other relevant businesses in the foreseeable future.

We remain highly confident towards the development of the existing business of the Group in the long run. Since the flavor and fragrance and the fine chemical industries worldwide are still undergoing long-term growth, based on the Group's existing operating foundation, as well as with our outstanding reputation, stable clientele and advanced production facilities in the PRC, we believe that we can capture opportunities in this stormy weather, by providing value-added products and services to customers, increase market share, and proactively seeking for opportunities of co-operations and acquisitions and mergers while speeding up expansion of the principal business, through such we endeavor to strengthen our capabilities amidst the challenging operating environment. Building on the unwavering effort from everyone in the Group, we believe that in future our operations will be able to overcome every challenges and continue to grow.

BUSINESS REVIEW

In review of 2008, both the Group's aroma chemicals business and flavour chemicals business were able to sustain a stable growth. Turnover for the year reached RMB740 million, an increase of 21% from the previous year. Excluding contributions from the supplementary trading and resource management business, core growth for our three major products reached 16%. Profit attributable to shareholders decreased by RMB16.2 million or 12% from the previous year to RMB114 million. Earnings per share were approximately RMB24 cents.

During the year under review, the Group manufactured over 70 fine chemical products. The analysis of turnover of the Group's various products for the years ended 31 December 2008 and 31 December 2007 are as follows:

	Turnover			
	2008		2007	
	RMB'000	***% of total***	*RMB'000*	*% of total*
Aroma chemicals	**453,744**	**61%**	372,097	61%
Natural extracts	**108,997**	**15%**	108,247	18%
Intermediates	**67,952**	**9%**	64,750	10%
Trading and resource management	**109,279**	**15%**	67,065	11%
Turnover	**739,973**	**100%**	612,159	100%

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. Despite the global economic crisis, since 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 sustained to rise, the aroma chemicals' business continued to be the growth driver of the Group's operation.

For the year ended 31 December 2008, with increases in orders placed by existing customers and the selling prices, turnover of aroma chemicals significantly surged 22% to RMB454 million (2007: RMB372 million), accounting for 61% of the Group's turnover (2007: 61%) and a gross profit margin of 29.2% (2007: 32.4%). Dihydromyrcenol was the major contributor which brought a revenue of RMB116 million to the Group. Its sales increased 9% over last year and accounted for 26% of the total revenue for this product category.

In addition, the launch of certain new food flavour chemicals in end of last year and beginning of this year was well responded by the market. The production has already contributed RMB52.7 million to the Group's revenue, with a profit margin amounted to 46%, which is higher than the profit margin of our existing daily aroma chemicals products and represents one of our new source in profitability for our future growth.

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 additives business for the production of food ingredients, the fast consuming food, frozen food and pet nutrition food, which is produced with purification and bio-conversion technologies on natural products, which mainly include seafood, meat and mushroom extracts.

During the year under review, the Group's natural extract business just maintained steady growth as the new food additives business has still been advancing towards full scale production capability and this new business is still at the development stage, whereas the market demand for existing natural pharmaceutical raw materials tended to be stable. Turnover of this business category sustained at RMB109 million (2007: RMB108 million), accounting for 15% (2007:18%) of the Group's sales. Gross profit margin was dropped to 31.9%, compared to 34.5% of last year. The performance of Natural Cinnamic Aldehyde was relatively more outstanding under this business category. This product contributed a revenue of RMB33.36 million to the Group and its sales increased 5% over the corresponding period last year and accounted for 31% of the total revenue for this product category.

Intermediates

Besides the chiral pharmaceutical raw materials and pharmaceutical intermediates, the Group also applying similar advanced technologies of synthesis production to produce agrochemical intermediates, which is a kind of eco-pesticide.

During the year under review, due to the restriction of the co-operative production capacity and the slow-down of the market demand, orders for the Group's intermediate products maintained steady. Turnover increased 5% from the corresponding period last year to RMB68.0 million (2007: RMB64.8 million), accounting for 9% (2007: 10%) of the Group's sales. Gross profit margin was dropped to 68.4% from 70.0% 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 37% of the overall sales of this business category and contributed a revenue of RMB25.5 million to the Group.

Trading and Resource Management

To secure future supply of strategic resources and the integration and management of industry chain, the Group has repositioned the focus of such business and strengthened the management of the products and operation under the relevant strategic resources business during the year. The products of the strategic resources included the gum rosin, gum turpentine and other special botanic essential oils and their by-products. This year, sales of the Group's trading and resource management business increased 63% from the corresponding period last year to RMB109 million, accounting for 15% of the Group's turnover, and contribution to gross profit was approximately RMB7.1 million. However, the trading of gum rosin business was affected by the current global economic crisis, with a setback on the business.

FINANCIAL REVIEW

Turnover

Under the background of constant global financial crisis, the Group was in a more challenging business environment during the year, yet, it still recorded a stable growth of 21% in its turnover for the year ended 31 December 2008, which amounted to RMB740 million. The Group's Phase III expansion of Haichang Plant was completed and put into production during the year. Such plant mainly produces new flavour chemicals and part of aroma chemicals. The launch and release of new products have driven an increase by approximately 12% in the Group's sales income during the year. Moreover, the rise in the prices of the original products by the Group also contributed to the increase in the Group's operating income. Among which, there was an approximately 10% increase in the price of the Group's mainstream product – Dihydromyrcenol.

Geographically, domestic sales of the Group's fine chemical products surged by 24% as compared to that of 2007 whereas the overseas sales of the Group's fine chemical products also increased by 15% as compared to that of 2007.

Gross Profit

During the year under review, the gross profit of the Group amounted to RMB221 million, representing a growth of 6%. The gross profit margin of the Group reduced from 34.2% in 2007 to 29.9% in 2008. The reduction in the Group's gross profit margin was mainly attributable to: firstly, the hiking raw material prices still slightly decrease the Group's gross profit margin despite that fact that it has already increased the prices of certain products so as to passed on the majority of the pressure from rising cost to its customers; secondly, in order to secure stable raw material supply, the development of trading with a lower profit margin and the relative expansion in the scale of resource management business also reduced the Group's overall gross profit margins.

Analysing by the Group's products category, the gross profit margin of aroma chemicals decreased from 32.4% in 2007 to 29.2% in 2008, while natural extracts decreased from 34.5% in 2007 to 31.9% this year. The profit margin of intermediates decreased from 69.9% in 2007 to 68.4% in 2008. The gross profit margin of trading and resource management increased from 9.4% in 2007 to 6.5% in 2008.

Operating Income and Expense

The increase of RMB3.62 million in selling and marketing expenses was mainly due to an increase of transportation cost and packaging expenses resulting from external and internal product sales in the year under review. Selling and marketing expenses for 2008 represented 3.8% of its turnover (2007: 4.1%).

The increase of RMB11.3 million in administrative expenses was mainly due to the RMB2.8 million increase in the amortisation cost for the product development cost, the respective increase of RMB3.7 million and RMB3.0 million of provision of intangible assets and provision of impairment of other receivables over last year and the increase of general expenses in line with the operating scale. Administrative expenses for 2008 represented 7.0% of its turnover (2007: 6.6%).

Operating profits include other net losses amounting to RMB0.25 million, representing a substantial decrease when compared to RMB4.16 million in 2007. This was mainly attributable to the Group capitalized on the favourable market conditions and closed the position of the interest rates swaps in advance, and had achieved solid financial gain. The realized gain amounting to RMB6.96 million was recognized in the year.

Finance Costs – Net

The net finance costs increased by approximately RMB4.71 million as compared with last year's. This was mainly attributable to the Group's interest expense on its secured 3-years syndicated loan of USD33 million during the year. Such loan changed the Group's original borrowing structure and has significantly increased the proportion on foreign currency in the aggregate borrowing portfolio. This can better capitalize of the recent margin in the market. It can also hedge the exposure to the income of export business arising from the potential appreciation of RMB. More importantly, such loan partially settled the capital expense and liquidity requirements for the Group's expansion in future years, and thereby efficiently strengthened the Group's capability of standing capital and liquidity exposures. Although the interest expense increased RMB12.46 million, the net exchange gain of RMB8.27 million generated from such loan has offset part of the interest cost.

Income Tax Expense

Income tax expense of the Group in 2008 was RMB19.5 million representing an increase of RMB12.0 million as compared with that of last year. Under the New Income Tax Law which became effective 1 January 2008, dividends payable by PRC subsidiaries to equity holders outside the PRC are subject to withholding taxes ranging from 5% to 10%. In the circumstances, the Group has recognized the withholding taxes on the profits generated after 1 January 2008 in the deferred tax liabilities. This has increased the tax expense of the Group, and the effective interest rate applicable to the Group was 14.6% (2007: 5.4%).

Profit for the year

Profit for the year in 2008 was RMB114 million representing a decrease of 12% as compared with RMB130 million in 2007. The decline in the Group's profit for the year was mainly attributable to certain impairment provisions, which include provision for impairment of intangible assets, provision for impairment of inventories, and provision for impairment of other receivables amounted to RMB5.4 million, RMB6.7 million and RMB3.0 million respectively.

EBITDA for the same period was RMB179 million, slightly increased from 158 million in 2007.

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. For the year ended 31 December 2008, net cash generated from operating activities amounted to RMB67.41 million (2007: RMB50.12 million). The increase in net cash inflow from operating activities was mainly due to the increase of trade receivables is much less than that of 2007. With the financial resources obtained from the Group's operations, the Group had utilized RMB87.94 million (2007: RMB148 million) in the capital expenditure, paid dividend of RMB19.69 million (2007: RMB15.03 million) during the year and paid RMB7.05 million to repurchase 4.68 million of the Company's issued shares (approximately to 1% of total issued shares before the repurchase). During the year under review, the net cash inflow from financing activities amounted to RMB132 million (2007: RMB58.51 million).

As at 31 December 2008, the Group had cash and bank deposits of approximately RMB424 million (2007: RMB307 million). As a result of business expansion in 2008, the Group's inventories and trade receivables increased by RMB30.65 million and RMB26.35 million to RMB76.14 million and RMB192 million, respectively (2007: RMB45.49 million and RMB166 million). The average inventory turnover days and average trade receivable turnover days were 46 days and 89 days respectively, compared to 39 days and 85 days in 2007. The increase in inventory average turnover days was due to an increase in the inventory level for the trading and resource management business in 2008.

The Group's financial position remains very solid and healthy during the year under review. As at 31 December 2008, the net current assets and the current ratio of the Group were approximately RMB548 million (2007: RMB336 million) and 3.4 (2007: 2.5), respectively.

As at 31 December 2008, the Group had bank borrowings of approximately RMB312 million (2007: RMB123 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 RMB33.42 million (2007: RMB33.9 million). As at 31 December 2008, the Group has outstanding short-term borrowings of RMB121 million (2007: RMB98 million). The reason for the increase of the short-term borrowings was due to the fund raising for the working capital and business expansion. As at 31 December 2008, the Group's ratio of total borrowings to total equity, was approximately 46% (2007: 24%) and the Group's net cash balance, being cash and cash equivalents plus pledged bank deposits less borrowings amounted to RMB78.51 million (2007: 151 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 2008, bank deposit of RMB37.36 million (2007: RMB32.16 million) and certain property, plant and equipment of the Group with an aggregate net book value of about RMB70.1 million (2007: RMB94.54 million) have been pledged to secure the Group's bank borrowings. As at 31 December 2008, no land use rights were pledged (2007: RMB2.4 million).

Contingent Liabilities

As at 31 December 2008, neither the Group nor the Company had any significant contingent liabilities.

Bank guarantees

The Company has corporate guarantee in respect of banking facilities granted to subsidiaries amounting to RMB59,891,000 at 31 December 2008 (2007: RMB50,000,000).

Capital Commitment

As at 31 December 2008, the Group had capital commitments of approximately RMB38.27 million (2007: RMB19.55 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 2008, the Group's borrowings of approximately RMB114 million and RMB228 million were denominated in Renminbi and United States dollars, respectively. The Group's cash and bank deposits (comprise cash and cash equivalents and pledged bank deposits) denominated in Renminbi amounted to RMB377 million of the total balance, with the remaining balance of approximately RMB46.49 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 2008, the Group had 350 full-time employees of which 346 were based in the PRC. For the year under review, the total employment costs incurred for 2008 including directors' emolument amounted to RMB26.71 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.

CORPORATE GOVERNANCE

The Company continues to devote much efforts on formulating and implementing sufficient corporate governance practices which it believes is crucial to its healthy growth and its business needs.

The Company has adopted and applied the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to the then prevailing Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") throughout the year ended 31 December 2008. In light of various amendments to the Listing Rules, particularly Appendix 14 thereto, which became effective on 1 January 2009, on 31 March 2009, the Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("New CG Code") contained in Appendix 14 to the Listing Rules with retrospective effect from 1 January 2009. The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code or, as the case may be, the New CG Code. For the year ended 31 December 2008, the Company had complied with the code provisions of the CG Code save for the following:

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 considers 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 2009 annual general meeting ("the AGM") of the Company will be held at Suite 3706, 37/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 15 May 2009 at 2:30 p.m. The Notice of AGM will be despatched to shareholders of the Company on or about Wednesday, 22 April 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 ("Model Code") as set out in Appendix 10 to the Listing Rules. In light of various amendments to the Listing Rules, particularly the Model Code, which became effective on 1 January 2009, on 31 March 2009, the Company adopted a revised code of conduct regarding securities transactions by Directors on terms no less exacting than the required standards under the revised Model Code with retrospective effect from 1 January 2009. Having made specific enquiry of all Directors, the Company is satisfied that all the Directors have fully complied with the standards set out in the Model Code and the code of conduct for the year ended 31 December 2008.

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 2008.

REMUNERATION 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 2008.

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 2008	Number of shares purchased	Purchase consideration per share Highest	Purchase consideration per share Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$*
February	2,000,000	2.48	2.25	4,650,400
March	278,000	2.43	2.30	645,120
July	268,000	2.50	2.33	653,160
August	20,000	2.22	2.21	44,300
October	2,114,000	1.09	0.71	1,736,700

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

PUBLICATION OF THE FINAL 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 2008 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 Director namely Mr. Feng Tao and three independent non-executive Directors, namely Dr. Zheng Lansun, Mr. Yau Fook Chuen and Mr. Wong Yik Chung, John.

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

Hong Kong, 15 April 2009