中國植物開發控股有限公司

CHINA BOTANIC DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liabilities)

(Stock Code: 2349)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

The Board of Directors (the "Board") of China Botanic Development Holdings Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred as the "Group") for the year ended 31 December 2008 together with comparative figures in previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	**2008** *HK$'000*	2007 *HK$'000*
Turnover	*3*	**239,632**	281,054
Cost of sales		**(196,163)**	(195,517)
Gross profit		**43,469**	85,537
Gain arising from initial recognition of biological assets at fair value less estimated point-of-sales costs	*3*	**10,308**	72,927
Other operating income	*3*	**8,908**	11,720
Selling and distribution expenses		**(29,527)**	(19,723)
Administrative expenses		**(78,935)**	(28,759)
Finance costs	*5*	**(37,300)**	(16,234)
Operating (loss) profit before impairment charges		**(83,077)**	105,468
Impairment on goodwill		**(108,859)**	–
Impairment on trade receivables		**(41,538)**	–
Write-off of inventories		**(34,607)**	–
Changes in fair value less estimated point-of-sales costs of biological assets		**(59,542)**	–
(Loss) profit before tax		**(327,623)**	105,468
Income tax credit (expenses)	*6*	**1,342**	(8,231)
(Loss) profit for the year		**(326,281)**	97,237

	Notes	**2008**	2007
		HK$'000	*HK$'000*
Attributable to:			
Equity holders of the Company		**(293,583)**	51,892
Minority interests		**(32,698)**	45,345
(Loss) profit for the year		**(326,281)**	97,237
Dividends	*7*	**–**	–
(Loss) earnings per share	*8*		
Basic		**(42.43) Cents**	9.19 Cents
Diluted		**N/A**	2.92 Cents

CONSOLIDATED BALANCE SHEET
At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Prepaid lease payments		**3,079**	3,147
Property, plant and equipment		**195,856**	174,508
Biological assets		**27,844**	74,909
Intangible assets		**1,014**	532
Deposit paid on acquisition of a subsidiary		–	6,000
Deposits paid on acquisition of property, plant and equipment		**–**	17,391
Deferred tax assets		**660**	–
Goodwill		**73,480**	171,613
		301,933	448,100
CURRENT ASSETS			
Inventories		**43,395**	64,794
Trade and other receivables	9	**162,763**	215,354
Tax recoverable		**2,010**	–
Derivative financial instruments		**6,864**	–
Pledged bank deposits		**15,294**	23,622
Bank balances and cash		**21,189**	134,649
		251,515	438,419
CURRENT LIABILITIES			
Trade and other payables	10	**44,929**	49,285
Obligations under finance leases		**3,999**	9,830
Tax payable		**302**	5,742
Amounts due to minority shareholders		**5,652**	5,493
Amount due to a shareholder		**15,000**	11,626
Borrowings		**98,781**	119,346
Derivative financial instruments		**1,831**	–
		170,494	201,322
NET CURRENT ASSETS		**81,021**	237,097
TOTAL ASSETS LESS CURRENT LIABILITIES		**382,954**	685,197
NON-CURRENT LIABILITIES			
Obligations under finance leases		**996**	3,666
Borrowings		**17,845**	23,098
Convertible notes		**262,156**	244,834
Deferred tax liabilities		**–**	379
		280,997	271,977
NET ASSETS		**101,957**	413,220
CAPITAL AND RESERVES			
Share capital		**6,919**	6,919
Reserves		**55,999**	333,554
Equity attributable to equity holders of the Company		**62,918**	340,473
Minority interests		**39,039**	72,747
TOTAL EQUITY		**101,957**	413,220

Notes

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared on the historical cost basis except for certain instruments which are measured at fair values.

2. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied the following new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are or have become effective for the Group's financial year beginning on 1 January 2008.

HKAS39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
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 adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendments or interpretations that have been issued but are not yet effective.

HKFRS 1 and HKAS 27 (Amendments)	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[1]
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 39 (Amendments)	Eligible Hedged Items[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HK(IFRIC) – Int 13	Customer loyalty programmes[4]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK (IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[3]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[2]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[2]

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5, and HK(IFRIC)-Int 9, which are effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

[1] Effective for accounting periods beginning on or after 1 January 2009
[2] Effective for accounting periods beginning on or after 1 July 2009
[3] Effective for accounting periods beginning on or after 1 October 2008
[4] Effective for accounting periods beginning on or after 1 July 2008

* Improvements to HKFRSs contain amendments to HKFRS 1, HKFRS 4, HKFRS 5, HKFRS 6, HKFRS 7, HKFRS 8, HKAS 2, HKAS 7, HKAS 8, HKAS 10, HKAS 12, HKAS 14, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 21, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 33, HKAS 34, HKAS 36, HKAS 37, HKAS 38, HKAS 39, HKAS 40 and HKAS 41, HK(IFRIC) – Int 2.

The directors of the Company are currently assessing the impact of these new and amended HKFRSs upon initial application, so far, Directors of the Company anticipate that the application of these new or revised HKFRSs is unlikely to have a significant impact on the results and financial position of the Group.

3. TURNOVER AND OTHER OPERATING INCOME

Turnover represents the amount received and receivable for goods sold, less returns and allowances.

An analysis of turnover and other operating income is as follows:

	2008	2007
	HK$'000	*HK$'000*
Sales of goods to outside customers	**239,632**	281,054
Gain arising from initial recognition of biological assets at fair value less estimated point-of-sales costs	**10,308**	72,927
Other operating income:		
Interest income from bank deposits	**1,312**	1,451
Exchange gain	**–**	4,885
Net change in fair value of derivative financial instruments	**5,033**	–
Sundry income	**2,563**	5,384
	8,908	11,720
Total income	**258,848**	365,701

4. SEGMENT INFORMATION

(a) Business segments

During the year, the Group has redefined its classification of business segments so as to better align its segment information disclosure to its current operations. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary of the business segments are as follows:

– Wah Yuen Foods Business Segment engages in production and distribution of snack food, convenient frozen food and other food products.

– Seabuckthorn Business Segment engages in cultivation of seabuckthorn seedlings, as well as manufacture, sales, research and development of seabuckthorn-related health products.

	Wah Yuen Foods Business		Seabuckthorn Business		Eliminations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
REVENUE								
External sales	**200,913**	257,816	**38,719**	23,238	**–**	–	**239,632**	281,054
Inter-segment sales	**37,841**	27,837	**78**	–	**(37,919)**	(27,837)	**–**	–
Total revenue	**238,754**	285,653	**38,797**	23,238	**(37,919)**	(27,837)	**239,632**	281,054
RESULT								
Segment operating results before impairment charges	**(24,712)**	31,123	**(27,855)**	15,058	**–**	–	**(52,567)**	46,181
Gain arising from initial recognition of biological assets at fair value less estimated point-of-sales costs	**–**	–	**10,308**	72,927	**–**	–	**10,308**	72,927
Impairment on goodwill	**–**	–	**(108,859)**	–	**–**	–	**(108,859)**	–
Impairment on trade receivables	**(41,538)**	–	**–**	–	**–**	–	**(41,538)**	–
Write-off of inventories	**(34,607)**	–	**–**	–	**–**	–	**(34,607)**	–
Changes in fair value less estimated point-of-sales costs of biological assets	**–**	–	**(59,542)**	–	**–**	–	**(59,542)**	–
Unallocated corporate income							**8,908**	7,132
Unallocated corporate expense							**(12,426)**	(4,538)
(Loss) profit from operations							**(290,323)**	121,702
Finance costs							**(37,300)**	(16,234)
(Loss) profit before tax							**(327,623)**	105,468
Income tax credit (expense)							**1,342**	(8,231)
(Loss) profit for the year							**(326,281)**	97,237

BALANCE SHEET

	Wah Yuen foods business		Seabuckthorn business		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS						
Segment assets	**310,049**	381,469	**206,916**	346,773	**516,965**	728,242
Unallocated corporate assets					**36,483**	158,277
Consolidated total assets					**553,448**	886,519
LIABILITIES						
Segment liabilities	**20,827**	36,359	**31,568**	35,786	**52,395**	72,145
Unallocated corporate liabilities					**399,096**	401,154
Consolidated total liabilities					**451,491**	473,299
OTHER INFORMATION						
Capital additions	**27,615**	696	**2,220**	593	**29,835**	1,289
Depreciation	**11,823**	9,339	**4,412**	550	**16,235**	9,889
Amortisation of prepaid lease payments	**174**	165	**22**	11	**196**	176

(b) Secondary reporting format Geographical segments

The following table provides an analysis of the Group's sales and results by geographical segment, irrespective of the origins of the goods or services.

	Sales revenue by geographical segment		Segment results by geographical segment	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**83,936**	129,647	**(37,178)**	41,341
Hong Kong	**155,696**	151,407	**(15,389)**	4,840
	239,632	281,054	**(52,567)**	46,181

The following is an analysis of the carrying amount of segment assets and capital expenditure, analysed by the geographical areas in which the assets are located:

	Assets		Capital expenditure	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**405,551**	514,034	**28,746**	784
Hong Kong	**111,414**	214,208	**1,089**	505
	516,965	728,242	**29,835**	1,289

5. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest expense on bank loans, overdrafts and other borrowings wholly repayable within five years	**10,450**	13,064
Interest expense on obligations under finance leases	**466**	986
Effective interest expense on convertible loan notes	**26,384**	2,184
	37,300	16,234

6. INCOME TAX CREDIT (EXPENSE)

	2008	2007
	HK$'000	*HK$'000*
The credit (charge) comprises:		
Current tax:		
Hong Kong Profits Tax		
Current year	**–**	1,098
Under (over) – provision in prior years	**(522)**	368
PRC Enterprise Income Tax		
Current year	**219**	6,476
Under-provision in prior years	**–**	–
Current tax charge for the year	**(303)**	7,942
Deferred tax (credit) charge for the year	**(1,039)**	289
	(1,342)	8,231

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong.

The new Corporate Income Tax Law in PRC increases the corporate income tax rate for foreign investment enterprises from previous preferential rates to 25% with effect from 1 January, 2008. Companies established in the PRC before 16 March, 2007 and previously taxed at the rate lower than 25% may be offered a gradual increase of tax rate to 25% within 5 years. Certain subsidiaries of the Company established in the PRC will enjoy preferential income tax rate from 2008 to 2011 and be taxed at the rate of 25% from 2012 when the preferential treatment expires.

The tax (credits) charge for the year can be reconciled to the (loss) profit before tax per the consolidated income statement as follows:

	2008	2007
	HK$'000	*HK$'000*
(Loss) Profit before tax	**(327,623)**	105,468
Tax at PRC Enterprise Income Tax rate of 25% (2007: 27%)	**(81,906)**	28,476
Tax effect of expenses not deductible for tax purposes	**88,520**	8,842
Tax effect of income not taxable for tax purposes	**(10,341)**	(30,182)
Tax effect on temporary differences not recognised	**(787)**	317
Under-provision in respect of prior year	**(522)**	368
Tax effect on tax losses not recognised	**3,224**	1,031
Utilisation of tax losses not previously recognised	**–**	(25)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**470**	(596)
Income tax (credit) charge for the year	**(1,342)**	8,231

7. DIVIDENDS

The Board does not recommend the payment of a dividend for the years ended 31 December 2008 (2007: Nil).

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2008	2007
	HK$'000	*HK$'000*
(Loss) earnings:		
(Loss) earnings for the purpose of basic (loss) earnings per share	**(293,583)**	51,892
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	**26,384**	2,184
(Loss) earnings for the purpose of diluted (loss) earnings per share	**(267,199)**	54,076
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	**691,938**	564,507
Effect of dilutive potential ordinary shares:		
convertible loan notes	**1,285,648**	1,285,648
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	**1,977,586**	1,850,155

Diluted loss per share for the year ended 31 December 2008 was not presented because the impact of convertible notes were anti-dilutive.

9. TRADE AND OTHER RECEIVABLES

The Group adopts a general policy of allowing average credit periods ranging from 90 days to 180 days to its trade customers. However, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted up to one year.

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**162,205**	169,186
Less: Provision for impairment of trade receivables	**(41,735)**	–
	120,470	169,186
Deposits, prepayments and other receivables	**42,293**	46,168
	162,763	215,354

An ageing analysis of trade receivables (net of impairment of trade receivable) is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 90 days	**34,577**	78,174
91 to 180 days	**41,305**	30,606
Over 180 days	**44,588**	60,406
Trade receivables	**120,470**	169,186

The directors consider that the carrying amount of trade and other receivables approximate to their fair value.

Movement in impairment of trade receivables

	2008	2007
	HK$'000	*HK$'000*
Balance at beginning of the year	**–**	–
Additions arising from acquisition of a subsidiary	**197**	–
Increase in allowance recognised in consolidated income statement	**41,538**	–
Balance at end of the year	**41,735**	–

10. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
Within 90 days	**11,287**	11,325
91 to 180 days	**2,095**	1,809
Over 180 days	**5,859**	7,731
Trade payables	**19,241**	20,865
Other payables	**25,688**	28,420
	44,929	49,285

The directors consider that the carrying amount of trade and other payables approximate to their fair value.

MANAGEMENT DISCUSSION AND ANALYSIS

China Botanic is the largest manufacturer and provider of seabuckthorn in China, and a leading manufacturer and provider of a comprehensive range of seabuckthorn-related products and healthcare products in the country. Leveraging on its economies of scale and vertically integrated model, the Group is well-positioned to capture the growing potential of the seabuckthorn sector in the healthcare market in China.

The Group is also a leading operator in food manufacturing, sales and distribution, exports, and research and development with over 50 years of experience. It offers over 200 types of quality snack products in unique Asian flavours, enriching people's savours and tastes, under the renowned "Wah Yuen", Rocco" and "采楓" brands.

RESULTS SUMMARY

For the year ended 31 December 2008, the Group reported a turnover of approximately HK$239 million, representing a decrease of approximately 15% over the previous year. The decrease in turnover was mainly attributable to the economic downturn and poor market sentiment brought about by the unprecedented credit crisis in the second half of 2008. In face of low consumer confidence and market uncertainty, the Group had adopted a tightened finance management policy as well as stringent inventory and credit control. Though a lower sales volume in the second half of 2008 was resulted, we considered this measure necessary and in line with our diligent strategies.

The volatility in commodity prices and surging production costs had also created a difficult operating environment in the Group's business, which strongly impacted on the profit margin in 2008. As a result. the overall gross profit margin decreased to approximately 18% from 30% last year and amounted to approximately HK$43 million in 2008.

The net loss attributable to the equity holders of the Company for the year amounted to HK$293.6 million, as compared with a profit of HK$51.9 million in 2007. The loss was mainly attributable to (a) the unprecedented volatility in economy, leading to deterioration in trading conditions at a consumer level which induced financial strain to our customers, and hence the Group adopted a tightened credit management policy and controlled the delivery of products, which resulted in a lower sales volume in the second half of 2008; (b) the volatility in commodity prices which had also created a difficult pricing environment in our business, that in turn impacted the Group's margins in 2008; (c) the surge of administrative and operating expenses from the full-year consolidation of seabuckthorn business acquired in December 2007; (d) the interest charged on convertible notes which attached a significant portion in finance costs; and (e) the impairment charges on goodwill, inventory and trade receivables, and change in fair value of biological assets.

The basic loss per share amounted to HK42.43 cents, against basic earnings per share of HK9.19 cents in 2007.

The Board does not propose any final dividend for the year ended 31 December 2008.

BUSINESS REVIEW

Seabuckthorn and Related Healthcare Products

During the year under review, the seabuckthorn and related business reported revenue of HK$38.8 million, which represented an increase of HK$15.5 million, or 66% over HK$23.2 million in the prior year. However, the gross profit decreased significantly by 75% to HK$3.7 million. The negative impact on profit margin was mainly due to the increase of cultivating costs charged by peasants and peasants' specialty cooperative, together with the rise in the sales and administrative costs attributable to news business set up to necessitate the Group's development.

The successful acquisition of the 100% equity interest in China Environmental Water Holdings Limited in November 2007 has granted the Group the immediate access to the seabuckthorn markets in China. The Group had undertaken steps to review and integrate the new business and operation to ensure smooth and effective consolidation with the overall corporate strategies. The Group's extensive product portfolio covers over 30 seabuckthorn-related healthcare products in various forms and packages, including seed oil, fruit oil, capsule, fruit pulp, juice, soy and vinegar and cosmetic products.

In view of the deteriorating economic environment in the second half of 2008, the Group had reassessed the original marketing and development plans. The Group considered a more prudent approach would be in the best interest of its long-term sustainable growth.

Packaged Food & Convenience Frozen Food Products

For the 12 month ended 31 December 2008, the Group's packaged food and convenience frozen food products business accomplished a mixed results. The production and sales of snack food and convenience frozen food products continued to be the Group's major revenue contributor. However, the total sales decreased by 22% to HK$201 million compared to the same period in 2007. Of which, sales in Hong Kong market reported revenue of HK$155.7 million, comparable to that of last year (2007: HK$151.4 million), which accounted for 65% of total revenue of the Group. The gross profit and gross profit margin was HK$23.9 million and 15% respectively (2007: HK$34.3 million and 23%).

The Group implemented cost control measures to optimize and consolidate the distribution network and sales points, and further strengthened cooperation with a number of key accounts, including supermarkets and convenience stores, maintaining its effective presence in the market. The Group also enhanced and rationalized product mix and launched new quality packaged food, catering to the changing consumer preferences and tastes.

In China, despite increasing spending in food, competition was keen. Furthermore, the worsened economic condition and the resulting sudden shrink in consumption in the second half of 2008 also posted exceptional challenges to the market players. The Group's sales of packaged foods and convenience frozen food products in the PRC recorded a plunge of approximately 57% in revenue to HK$45.3 million, accounting for 19% of the Group's total revenue. The gross profit decreased drastically by 57% to HK$15.8 million. The unprecedented volatility in economy and prices led to deterioration in trading conditions at a consumer level which induced financial strain to our customers, and hence the Group adopted a tightened credit management policy and controlled the delivery of products, which resulted in a lower sales volume in the second half of last year.

The Group provided manufacturing services to overseas distributors and customers. Despite the growth potential of the overseas markets for Asian flavoured food, the "poisoned dumpling incident" in Shandong and the melamine in milk products had aroused exceptional concern by consumers abroad towards food safety in China. The stringent inspection requirement for all export companies in China also affected the Group's export volume and shipment time. During the Beijing Olympics, the government also imposed additional measures in exports. All such unprecedented factors posted significant negative impacts on the Group's export business.

Production Facilities

The Group has its own seabuckthorn cultivation bases in Erdos Plateau, Loess Plateau and seedling bases over a total area of about 340,000 hectares in Beijing, Inner Mongolia Autonomous Region, Shaanxi Province and Shanxi Province and Gansu Province.

The Group is committed to the highest industry standards. Its seabuckthorn products and production facilities had been accredited and certified with Food Safety Management System Certificate, Quality System Certificate, Organic JAS Certificate and the U.S. National Organic Standard, among others. The complete industrial chain, from breeding, seedling, plantation, processing and extracting to packaging and marketing, supported by a dedicated research and development centre, GMP-conformed production facilities and advanced equipments imported from Germany, had laid a solid foundation for the continuing market leadership and compelling competitiveness of the Group.

The Group also operates three production facilities, which are located in Hong Kong and at Huadu District of Guangzhou in Guangdong Province. Accredited the internationally recognized Hazard Analysis and Critical Control Point (HACCP) certificate as well as the ISO 9001 and ISO 9002 certificates, the Group's highly efficient production lines maintained smooth operation, delivering quality products in compliance with excellent hygiene standard.

Financial Position

The Group's cash and bank balances together with deposits amounted to HK$36.5 million at 31 December 2008. The Group had total assets of HK$553.4 million and its total current assets was HK$251.5 million. The current and non-current liabilities of the Group amounted to HK$170.5 million and HK$281 million respectively. The amount of bank borrowings was HK$116.6 million (2007: HK$142.4 million). Most of bank borrowings were denominated in Hong Kong dollars and bearing a floating rate of interest. At 31 December 2008, total loan facilities outstanding and convertible notes amounted to HK$121.6 million and HK$262.2 million respectively. Based on a net borrowings of HK$347.3 million at the year end, the Group's gearing ratio (expressed as a ratio of net borrowings to total assets) was 62.7% (2007: 27%). The Group will continue to maintain a healthy gearing ratio and consider reducing its finance costs.

Future Plans and Prospects

Market uncertainty brought about by the U.S. financial crisis, as well as concerns over inflation and possible economic downturn in China, have adversely affected both the business environment and consumer confidence.

2009 is a year of challenge. In 2009, the Group will focus on strengthening its competitive edge and consolidate the leadership position in developing and marketing seabuckthorn-related products. It will further expand the product offerings to customers, and enhance its product variety and quality. At the same time, the Group will take on prudent development strategy to sustain growth momentum in the long run. Meanwhile, the Group will focus more on the cost control and boost production efficiency, and continue to advance smooth operations. In view of the worsening overseas market condition, the Group will take extra diligence in the export business.

On 19 November 2008, the Company announced to proceed an open offer ("Open Offer") on the basis of one offer share for every two shares held by the shareholders at a price of HK$0.08 each. This was aimed to broaden the capital base of the Group and to enhance the Group's liquidity position. The Open Offer was completed on 1 April 2009 and net proceeds of approximately HK$11.85 million was received following capitalized the amount due to China Water Affairs Group Limited ("China Water") of HK$15.82 million pursuant to terms of underwriting agreement. The increased equity stake in the Group by China Water, the major shareholder, has shown its strong confidence in China Botanic and its seabuckthorn-related business. Besides, the additional capital allows more flexibility in developing new products and expanding marketing team in future, and other strategic measures in fortifying the Group's market leadership in seabuckthorn-related business.

Looking forward, with the continuous rise in national income and the central government's stimulus packages in consumer spending, China's food and healthcare market will continue to grow rapidly. The Group is confident that the domestic market will continue to experience steady growth in the coming years on the back of a healthy and steady economic development in China. China Botanic is prudently optimistic in its business outlook and development and well-positioned to capitalize on the promising prospects in the long run.

EXPOSURE TO FLUCTUATION IN FOREIGN EXCHANGE

Most of the Group's transactions, assets and liabilities are denominated in Hong Kong dollars or Renminbi. The usual treasury policy of the Group is to manage significant currency exposure and minimize currency risk whenever it may have material impact on the Group. During the year under review, the Group entered into foreign currency forward contracts to manage the Group's exposure to fluctuation in exchange rates. The fair value of these contracts amounted to HK$5 million as at 31 December 2008. Other than derivative financial instruments in connection with our daily operations as mentioned above, the Group had not entered into other derivative financial instruments throughout 2008. There was no material foreign exchange exposure to the Group during the year under review.

ACQUISITION OF A SUBSIDIARY

In December 2007, the Group through its wholly owned subsidiary, entered into an agreement to acquire 100% equity interest of 上海華源藍科生物製品營銷有限公司 (Shanghai Worldbest Lanke Biological Product Sales Co. Ltd. ("Lanke Biological"), a PRC incorporated company engaging in the sales of omega fatty acids related food, health and cosmetic products in the PRC, for a total cash consideration of RMB5.21 million. Upon the completion of the agreement on 31 March 2008, Lanke Biological becomes a wholly owned subsidiary of the Group.

Goodwill arising from the acquisition of Lanke Biological amounted to HK$10.7 million, of which HK$7.1 million was impaired and charged to in the consolidated income statement for the year ended 31 December 2008.

CAPITAL EXPENDITURE

The Group's capital expenditures were related to food production machinery in our factories. There were HK$29.8 million additions to property, plant and equipment in 2008.

CHARGE OF ASSETS

As at 31 December 2008, certain assets of the Group with aggregate carrying value of HK$73 million were pledged with banks for loan facilities.

CONTINGENT LIABILITIES AND COMMITMENTS

There were no material contingent liabilities of the Group as at 31 December 2008. The Group continues to implement contingency plans that will scrutinize its capital expenditure with existing available working capital. On 18 August 2008, the Group had entered into an agreement to acquire the entire equity interest in 廣東康力醫藥有限公司 (Guangdong Kangli Pharmaceutical Company Limited) ("Guangdong Kangli") for a cash consideration of RMB23.6 million. Guangdong Kangli possesses the direct sales license regarding direct sales of health products and equipments. The license was issued by the Ministry of Commerce of the PRC, which mainly covers the direct sales of health care products and equipments. The Group contemplates the possible acquisition of equity interest in Guangdong Kangli before the terms and conditions are fully satisfied and fulfilled. As such, the Group may not consider proceeding with acquisition until it has better visibility in terms of customer commitments and a more stabilized economic environment. As a result, the Group may explore the possibility in development of its products presence in new markets through allying with Guangdong Kangli or other direct sales licensers.

EMPLOYEES AND REMUNERATION POLICIES

As at December 2008, the Group's total number of employees stood at approximately 600. Total staff costs for the year under review were approximately HK$27,395,000. China Botanic offers its workforce comprehensive remuneration and employees' benefits packages.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December, 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the Company's securities. The Company made specific enquires with each Director and each of them confirmed that he or she had complied with the Model Code during the year ended 31 December 2008.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules during the year ended 31 December 2008. A report on the principal corporate governance practices adopted by the Company to be contained in 2008 Annual Report of the Company.

AUDIT COMMITTEE

The audit committee had reviewed the audited financial statements for the year ended 31 December 2008 and had also discussed auditing, internal control and financial reporting matters including accounting practices and principles adopted by the Group.

By Order of the Board
China Botanic Development Holdings Limited
But Ka Wai
Chairman

Hong Kong, 22 April 2009

As at the date of this announcement, the Board comprises Mr. But Ching Pui (honorary Chairman), Mr. But Ka Wai (Chairman), Mr. But Chai Tong (Vice Chairman), Mr. Ying Wei and Ms. Gao Jihong as executive Directors, Ms. Leung Wai Ling and Ms. Wang Fang as non-executive Directors and Mr. Cheung Yu Yan, Tommy, Mr. Ip Shing Tong, Francis, Mr. Ku Siu Fung, Stephen and Mr. Chen Ziqiang as independent non-executive Directors.

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.