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 ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

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

CONSOLIDATED INCOME STATEMENT
For the year ended 31st December 2009

	Note	**2009** *RMB'000*	2008 *RMB'000* (Note 1)
Revenue	*2*	**728,494**	739,973
Cost of goods sold	*3*	**(541,383)**	(529,458)
Gross profit		**187,111**	210,515
Other gains/(losses) – net		**258**	(253)
Selling and marketing costs	*3*	**(20,023)**	(28,437)
Administrative expenses	*3*	**(30,332)**	(41,080)
Operating profit		**137,014**	140,745
Finance income	*4*	**2,182**	3,175
Finance costs	*4*	**(18,218)**	(9,951)
Finance costs – net	*4*	**(16,036)**	(6,776)
Profit before income tax		**120,978**	133,969
Income tax expense	*5*	**(13,296)**	(19,513)
Profit for the year		**107,682**	114,456
Attributable to:			
Equity holders of the Company		**107,471**	114,237
Minority interest		**211**	219
		107,682	114,456
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
– Basic	*6*	**23.1 Cents**	24.4 Cents
– Diluted	*6*	**22.9 Cents**	23.9 Cents

* *For identification purpose only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2009

	2009	2008
	RMB'000	*RMB'000*
Profit for the year	**107,682**	114,456
Other comprehensive income:		
Currency translation differences	**(9)**	47
Cash flow hedge		
– Fair value change for the year	**130**	(4,417)
– Transfer to finance costs	**2,134**	(597)
	2,255	(4,967)
Total comprehensive income for the year	**109,937**	109,489
Attributable to:		
Equity holders of the Company	**109,726**	109,270
Minority interests	**211**	219
Total comprehensive income for the year	**109,937**	109,489

CONSOLIDATED BALANCE SHEET
As at 31st December 2009

	Note	2009 RMB'000	2008 RMB'000
ASSETS			
Non-current assets			
Land use rights		**9,851**	8,631
Property, plant and equipment		**384,191**	375,818
Intangible assets		**57,173**	57,441
Investment in an associate		**1,750**	1,750
Available-for-sale financial assets		**400**	400
		453,365	444,040
Current assets			
Inventories		**72,176**	76,138
Trade receivables	8	**203,227**	192,006
Prepayments and other receivables		**45,488**	81,493
Pledged bank deposits		**27,122**	37,364
Cash and cash equivalents		**514,744**	386,619
		862,757	773,620
Total assets		**1,316,122**	1,217,660
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**49,232**	49,232
Share premium		**181,841**	181,841
Other reserves		**58,852**	56,057
Retained earnings			
– Proposed final dividend	7	**12,274**	11,888
– Others		**538,284**	446,663
		840,483	745,681
Minority interest in equity		**3,502**	3,291
Total equity		**843,985**	748,972

	Note	2009 RMB'000	2008 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**100,119**	224,456
Derivative financial instruments		**917**	5,014
Deferred tax liabilities		**10,500**	13,500
		111,536	242,970
Current liabilities			
Trade payables and bills payable	9	**72,824**	69,764
Current income tax liabilities		**3,886**	2,070
Borrowings		**252,666**	121,019
Derivative financial instruments		**1,833**	–
Accruals and other payables		**28,396**	31,860
Amount due to a director		**996**	1,005
		360,601	225,718
Total liabilities		**472,137**	468,688
Total equity and liabilities		**1,316,122**	1,217,660
Net current assets		**502,156**	547,902
Total assets less current liabilities		**955,521**	991,942

Notes:

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND HONG KONG ACCOUNTING STANDARDS ("HKASs")

Standards, amendments and interpretations effective in 2009

The Group has adopted all new/revised HKFRSs which were mandatory for the financial year beginning on or after 1 January 2009 and were pertinent to its operations. The applicable HKFRSs are set out below:

HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
Amendments to HKFRS 1 and HKAS 27	Cost of an Investment in Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based payment
HKFRS 7 (Amendment)	Financial instruments: disclosures
HKFRS 8	Operating segments
HKFRSs (Amendments)	Improvements to HKFRSs
HKFRSs (Amendments)	Improvements to HKFRSs 2009

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment is required.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2009 or later periods, but the Group has not early adopted:

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 (Amendments)	Classification of Rights Issues[5]
HKAS 39 (Amendments)	Eligible Hedged Items[4]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[6]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – INT 17	Distributions of Non-cash Assets to Owners[4]
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments[8]

1 Effective for annual periods beginning on or after 1 July 2009 for the amendments to HKFRS 5.
2 Effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2011.
4 Effective for annual periods beginning on or after 1 July 2009.
5 Effective for annual periods beginning on or after 1 February 2010.
6 Effective for annual periods beginning on or after 1 January 2010.
7 Effective for annual periods beginning on or after 1 January 2013.
8 Effective for annual periods beginning on or after 1 July 2010.

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

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

During the year ended 31 December 2008, the amortisation of and impairment of product development costs of RMB10,529,000 have been included in administrative expenses. Such amount has been reclassified to cost of sales to conform to current year presentation. This reclassification has no impact on the Group's operating profit and profit for the year ended 31 December 2008.

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.

	2009	2008
	RMB'000	*RMB'000*
Sale of goods (net of value-added tax)	**728,494**	739,973

(b) Segment information

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

As at 31 December 2009, the Group is organised into two main operating segments:

(1) manufacturing and selling of fine chemicals; and

(2) trading of natural materials and fine chemicals.

The segment results for the year ended 31 December 2009 are as follows:

	2009	2008
	RMB'000	*RMB'000*
Revenue		
Manufacturing	**655,959**	630,694
Trading	**72,535**	109,279
Total revenue	**728,494**	739,973
Segment results		
Manufacturing	**160,926**	179,159
Trading	**6,162**	2,919
Unallocated corporate expense – net	**(30,074)**	(41,333)
Finance costs, net	**(16,036)**	(6,776)
Income tax expense	**(13,296)**	(19,513)
Profit for the year	**107,682**	114,456

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

	Manufacturing		Trading	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Depreciation	**26,136**	21,170	**107**	96
Amortisation	**8,778**	5,227	**–**	–
(Reversal of)/provision for impairment of intangible assets	**(856)**	5,412	**–**	–
(Reversal of)/provision for impairment of inventories	**(255)**	928	**(5,721)**	5,733
Write-down of inventories	**1,396**	–	**–**	–
Provision for/(reversal of) impairment of trade receivables	**109**	51	**17**	(29)
(Reversal of)/provision for impairment of other receivables	**(3,000)**	3,000	**–**	–

The segment assets and liabilities as at 31 December 2009 and capital expenditure for the year then ended are as follows:

	2009	2008
	RMB'000	*RMB'000*
Segment assets		
Manufacturing	**705,035**	679,159
Trading	**21,583**	30,875
Cash and cash equivalents	**541,866**	423,983
Other corporate assets	**47,638**	83,643
Total assets	**1,316,122**	1,217,660
Segment liabilities		
Manufacturing	**97,343**	92,881
Trading	**7,251**	10,303
Bank borrowings	**321,015**	312,056
Deferred tax liabilities	**10,500**	13,500
Current income tax liabilities	**3,886**	2,070
Other corporate liabilities	**32,142**	37,878
Total liabilities	**472,137**	468,688

	2009	2008
	RMB'000	*RMB'000*
Capital expenditure		
Manufacturing	**43,407**	87,845
Trading	**98**	91
	43,505	87,936

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.

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

	2009	2008
	RMB'000	*RMB'000*
Turnover		
– Mainland China	**484,267**	509,424
– Europe	**143,138**	117,290
– Asia (excluding Mainland China)	**56,546**	82,295
– Others	**44,543**	30,964
	728,494	739,973

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

	2009	2008
	RMB'000	*RMB'000*
Total assets		
– Mainland China	**1,250,453**	1,145,388
– Hong Kong	**63,784**	70,039
– Unallocated	**1,885**	2,233
	1,316,122	1,217,660

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.

Revenues of RMB156,126,000 (2008: RMB129,798,000) and RMB92,787,000 (2008: RMB73,590,000) are derived from two major customers. These revenues are mainly attributable to the manufacturing segment.

3. OPERATING PROFIT

	2009	2008
	RMB'000	*RMB'000*
Amortisation of prepaid operating lease payments	**110**	110
Amortisation of intangible assets	**8,668**	5,117
Depreciation	**26,243**	21,266
(Reversal of)/impairment of intangible assets	**(856)**	5,412
(Reversal of)/impairment of inventories	**(5,977)**	6,661
Impairment of trade receivables	**126**	22
Write-down of inventories	**1,396**	–
(Reversal of)/impairment of other receivables	**(3,000)**	3,000
Employee benefit expense	**27,425**	26,708
Changes in inventories of finished goods and work-in-progress	**24,491**	48,293
Raw materials and consumables used	**427,046**	377,392
Transportation	**10,440**	17,549
Advertising	**88**	255
Operating lease payments	**3,769**	3,643
Auditor's remuneration	**1,524**	1,521
Other expenses	**70,245**	82,026
Total cost of goods sold, selling and marketing costs and administrative expenses	**591,738**	598,975

4. FINANCE INCOME AND COSTS

	2009 *RMB'000*	2008 *RMB'000*
Interest expense on:		
– Bank borrowings wholly repayable within five years	**(19,196)**	(20,136)
– Government loans wholly repayable within five years	**(529)**	(605)
– Government loans not wholly repayable within five years	**(106)**	(127)
Net foreign exchange gains on financing activities	**188**	8,267
	(19,643)	(12,601)
Less: amount capitalised on qualifying assets	**1,425**	2,650
Finance costs	**(18,218)**	(9,951)
Finance income		
– Interest income on short term bank deposits	**2,182**	3,175
Net finance costs	**(16,036)**	(6,776)

Finance cost capitalised during the year have been calculated by applying a capitalisation rate of 6.1% (2008: 1.8%) per annum on expenditure of qualifying assets.

5. INCOME TAX EXPENSE

	2009 *RMB'000*	2008 *RMB'000*
Current tax		
– Mainland China enterprise income tax	**16,296**	6,173
– Over provision in previous years	**–**	(160)
Deferred tax		
– (Reversal of)/provision for withholding tax on profits of the PRC subsidiaries	**(3,000)**	13,500
	13,296	19,513

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 20% (2008: 18%). In August 2003, Xiamen Doingcom 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 itself 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 took 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% (2008: 17%) of revenue from sale of goods in Mainland China and entitled to a VAT export refund at 8% to 13% (2008: 9%) 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 New Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries and an associate 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.

	2009	2008
Profit attributable to equity holders of the Company (RMB'000)	**107,471**	114,237
Weighted average number of ordinary shares in issue (thousands)	**465,210**	467,533
Basic earnings per share (RMB per share)	**23.1 Cents**	24.4 Cents

Diluted

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

	2009	2008
Profit attributable to equity holders of the Company (RMB'000)	**107,471**	114,237
Weighted average number of ordinary shares in issue (thousands)	**465,210**	467,533
Adjustments assuming the exercise of share options (thousands)	**4,172**	9,501
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**469,382**	477,034
Diluted earnings per share (RMB per share)	**22.9 Cents**	23.9 Cents

7. DIVIDENDS

During the year ended 31 December 2009, a final dividend for the year ended 31 December 2008 of RMB11,888,000 (HK2.9 cents/share) (2008: 2007 final dividend of RMB14,760,000 (HK3.5 cents/share)) and an interim dividend for the year ended 31 December 2009 of RMB3,279,000 (HK0.8 cents/share) (2008: 2008 interim dividend of RMB4,930,000 (HK1.2 cents/share)), were paid by the Company, totalling RMB15,167,000 (2008: RMB19,690,000).

A final dividend in respect of the year ended 31 December 2009 of HK3 cents per share, totalling approximately of RMB12,274,000, is to be proposed at the forthcoming annual general meeting. These financial statements do not reflect such dividend payable.

	2009	2008
	RMB'000	*RMB'000*
Interim dividend paid of HK0.8 cents (2008: HK1.2 cents) per ordinary share	**3,279**	4,930
Proposed final dividend of HK3 cents (2008: HK2.9 cents) per ordinary share	**12,274**	11,888
	15,553	16,818

8. TRADE RECEIVABLES

	2009	2008
	RMB'000	*RMB'000*
Trade receivables	**205,459**	194,112
Less: Provision for impairment of trade receivables	**(2,232)**	(2,106)
	203,227	192,006

The carrying amounts of trade receivables approximate their fair values.

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:

	2009	2008
	RMB'000	*RMB'000*
0 to 30 days	**69,233**	77,103
31 to 60 days	**53,726**	53,003
61 to 90 days	**39,024**	46,593
91 to 180 days	**43,182**	16,904
181 to 365 days	**107**	343
Over 365 days	**187**	166
	205,459	194,112
Less: Provision for impairment of trade receivables	**(2,232)**	(2,106)
	203,227	192,006

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

	2009 *RMB'000*	2008 *RMB'000*
Trade payables	**18,955**	12,722
Bills payable	**53,869**	57,042
	72,824	69,764

As at 31 December 2009, the aging analysis of trade payables and bills payable is as follows:

	2009 *RMB'000*	2008 *RMB'000*
0 to 30 days	**15,730**	25,025
31 to 60 days	**9,496**	4,628
61 to 90 days	**14,842**	14,587
91 to 180 days	**32,262**	24,710
181 to 365 days	**163**	109
Over 365 days	**331**	705
	72,824	69,764

The carrying amounts of trade payables and bills payable approximate their fair values and are mainly denominated in RMB.

CHAIRMAN'S STATEMENT

Review

On behalf of the Board of Directors (the "Board"), I would like to report to our shareholders the Group's financial results for the year ended 31 December 2009.

The Group recorded a turnover of approximately RMB728 million in 2009, representing a slight decrease of 2% compared with last year. EBITDA for 2009 was RMB174 million, a 3% decline from RMB179 million for previous year. Profit attributable to shareholders decreased by 6% to RMB107 million. Basic earnings per share amounted to RMB0.231 in 2009, compared with RMB0.244 in 2008. To thank our shareholders for their enduring support, the Board proposed to declare a final dividend of HK3 cents per share for the year, subject to the shareholders' approval in the upcoming general meeting. Together with an interim dividend of HK0.8 cents per share, the total dividend distribution for the year amounts to HK3.8 cents (2008: HK4.1 cents) per share.

The financial tsunami, which had swept across the globe since the fourth quarter of 2008, continued to dampen the world's economy throughout the year 2009. Most countries suffered from different degrees of recession and slowdown. The severe turbulence and confidence crisis of the global market in the first half of 2009 had led to a tightening of commercial credit and a shrinking of overseas demand. Many companies were severely affected as a result of the falling market confidence and deteriorating overseas demand.

The Group's major clients are the world's few largest international flavour and fragrance enterprises. They were inevitably affected by the economic crisis. In 2009, they recorded the most dramatic change in sales and earnings in decades. In particular, high-end businesses with their weak results, altered their trend of sustainable growth in the past years. The global demand for production declined as a massive inventory reduction took place in the first half of 2009. Most customers from developed markets adopted a prudent approach in spending during the first half of the year. They kept on destocking, postponed their procurement and reduced their purchase. Therefore, the Group, notwithstanding its leading position in the industry, posted a decline in its sales in the first half of the year. The Group's business resumed and became stable in the second half as monthly sales picked up, after customers inventory reduction and our further negotiations with customers. The Group's turnover for the second half rose by 14 percentage points over the first half and was slightly lower than that for the second half of the previous financial year. This demonstrated that the Group's operation, after undergoing a time of turbulence in 2009, has gradually regained its growth momentum.

The Group is currently using some botanic essential oils, which are rich natural produces in China, as its major raw materials, of which turpentine accounts for the largest share. The nationwide procurement network built up by the Group in the early stage and its related resources management strategies enabled it to secure a stable supply of raw materials amid violent fluctuations of the raw materials markets during the year. Yet, the financial crisis adversely affected the industry supply and demand in the world, resulting a material change in the cost structure of the gum rosin and gum turpentine sectors. Gum turpentine enjoys an inelastic demand as it has an extensive application. At the same time, as it is a kind of renewable natural resources, its supply can be adversely affected by force majeure, such as bad weather. As a result, its price stood at a record high in the year and kept rising steadily. Although the Group is committed to adopting more cost-saving measures, such as increasing its product price modestly and launching new product mix with higher margin to minimize the negative impacts from rising raw material cost, the profitability of the Group's products has been inevitable weakened as the raw material cost rose. The gross profit margin decreased by 2.7 percentage points from 28.4% in 2008 to 25.7%.

Amid the challenging operational environment, the Group adheres to its customer-oriented commitment by offering quality products with stable supply to strengthen customer relationships, with an aim to be one of the world's most influential suppliers of aroma chemicals. The Group becomes one of the three largest suppliers in the world, with its Dihydromyrcenol and terpene chemicals output accounting for approximately 25% of the world's total supply. Other newly launched aroma chemicals were also well received in the international market, which would eventually further enlarge the Group's market share.

The Group has always been seeking to strengthen its competitiveness continuously through an increase its production capacity of quality products and a development of new technologies to reduce costs. The Group's management team is fully dedicated to its business in spite of difficult or easy times. Thanks to the joint efforts of all staff with a same goal, the Group managed to offer value-added services for its customers under the challenging environment. Against the backdrop of the economic downturn brought by the financial turmoil and the changes in investment conditions, the Group adopted prudent investment strategies by adjusting construction schedule for the construction of its new production facility at Changtai Fujian Province. Except substructure and basic civil works in the first half of the year, the main construction of the project was appropriately postponed by three quarters. Only when the global economy showed signs of stabilization and recovery in the last quarter, the project has re-started its main construction, and is expected to progress by stages and start to generate revenue by the end of 2010. The Group may conduct further review and proper adjustment subject to any possible changes of the market and economic environment during the course of its future implementation of this project.

Outlook

The year 2009 was a year of hardship for most industries. Yet thanks to loosened credit facility and fiscal stimulus policies implemented by China, the U.S., major developed countries as well as emerging economies, customers' confidence improved in 2010, which gradually restored the entire market demand. The pace of economic recovery is expected to accelerate. Nonetheless, price hike in some essential raw materials and rising production cost, due possibly to market expectation on inflation, may hinder the recovery of the fragile economy. As a result, the economic environment will remain unclear in the upcoming year and the operations may still face challenges. The Group is, therefore, taking the following measures to confront possible challenges in the future, and is determined to strive for a better performance in the coming year.

1) Our unique, innovative technology and industry experience have built up our core competence. It is expected that the Group will put more efforts in introducing the world's latest jet-spray technologies into its major plants and actualizing a large-scale commercialisation in 2010 when the market improves. Such

a technology innovation can boost the existing production capacity of key products by 50% gradually and save more than 50% of the energy consumed in use of existing technologies. The advancement can be made on the existing infrastructure to achieve a large productivity enhancement while minimizing related capital expenditure. Through such revolutionary advancement in technology, the production cost of the Group can be further reduced and the competitiveness of the products can be reinforced. The advancement work is expected to commence soon and trial production will be carried out by late 2010. It is believed that the Group's products will achieve a further dominant share in global market when the operation of innovated plant reaches its normal efficiency and economies of scale.

2) The Group will continue to strengthen and develop its partnership with major international flavor and fragrance customers in the coming year. Under the partnership framework, the Group will launch new, edgy product mix, by which the Group's operating performance will be improved.

3) Pressure from rising raw material costs is inevitable for the whole industry. To cope with this, the Group will continue its operative measures including managing effectively the supply chain of raw material procurement while strengthening logistics control. Besides, it will navigate the historical opportunities afforded by China's new policies in forestry by formulating a cooperation strategy to work with upstream forestry players so as to make necessary changes to the Group's tradition of raw material supply.

4) Meanwhile, the first stage of Changtai Plant construction will complete and trial production will be carried out by late 2010. Following the commencement in production, the plant is expected to play a pivotal role timely in the Group's new cooperation with global industry, and it will help reinforce the crucial foundation for the Group's business exploration into areas of other special chemicals. In addition, a GMP accredited workshop, which complies with the standards of medicines and food production, will be set up in the Haichang Plant, and contribute revenue to the Group gradually from late 2010.

   It is also a prerequisite for the Group to further explore opportunities of horizontal merger and acquisition. As the fluctuation in forestry chemicals strikes against all downstream sectors recently, integration is again inexorable among sectors. Leveraging on its leading position in turpentine processing, the Group will take advantage of new opportunities to refine its positioning. We also believe that the upstream of forestry chemical industry, a renewable resources sector, will sustain profitability in future. The Group will actively participate in upstream investment and integration in order to create synergies between upstream and downstream sectors.

5) The Group has been committed to serving as a role model of green chemistry player in the industry. Given the trend towards low carbon emission, energy saving and discharges reduction, the Group adheres to its principles of green chemistry, on its technological advancement in Haichang Plant and also development of Changtai Plant. Besides saving energy and reducing consumption and discharge to boost overall competitiveness, the Group also complies strictly with both domestic and international standards (especially European REACH) of fine chemical industry and all related environmental and resources protection ordinances, so that it can meet the requirements of all international customers for suppliers qualifications, and fulfill its corporate social responsibilities.

6) While developing its existing business, the Group will seek and grasp opportunities proactively in integrating upstream business with a view to expanding business through horizontal merger and acquisition that may give synergies. The Group will by all means strive to enhance its industrial value, strengthen its business foundation and push further growth.

Furthermore, the Group will further strengthen its working capital utilization and its expenses control, refine its capital structure for risks management and profitability improvement. It will also endeavor to step up management functions in internal control, performance appraisal, risk management and corporate governance.

As the outlook on global economy may improve in 2010, the constant growth of China's economy and growing demand for fast-moving consumer products in emerging markets will provide the Group with a new valuable opportunity for development. Despite the macroeconomic environment is fraught with some uncertainties, the Group is confident of, and optimistic towards its upstream business development, its long-term prospect of aroma chemical and food additive business and its expansion of other related business (such as special chemicals) in the foreseeable future, thanks to stronger domestic consumption of its products of aroma chemicals and food additives as the key components in daily necessities.

Acknowledgement

On behalf of the Board, I would like to express my sincere gratitude to all our shareholders, customers, suppliers and staff for their enduring trust and unwavering support, which are essential to our success and growth. I also wish to express my profound gratitude to all directors for their unrelenting support and valuable advices.

Thanks to your efforts and contributions, I strongly believe that EcoGreen will be more flourishing, and the Group will achieve its goals of becoming the world's prominent supplier of terpenic aroma chemicals, influential supplier of intermediates, as well as a safety food additive provider that meets the international standards, with a view to creating more handsome returns for our shareholders.

FINAL DIVIDEND

The Directors will propose at the annual general meeting to be held on 28 June 2010 payment of final dividend of HK3 cents per share for the year ended 31 December 2009 to be payable in cash on 2 July 2010 to shareholders whose names are listed on the register of members of the Company on 28 June 2010. Together with the interim dividend of HK0.8 cents (2008: HK1.2 cents) per share, this will bring the total dividend distribution for the year to HK3.8 cents (2008: HK4.1 cents) per share.

CLOSURE OF REGISTERS OF MEMBERS

The transfer books and register of members of the Company will be closed from Thursday, 24 June 2010 to Monday, 28 June 2010, 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 Wednesday, 23 June 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group derives its revenue primarily from the manufacturing and trading businesses. The manufacturing business includes the production and sales of aroma chemicals, natural extracts and intermediates. Breakdown of revenue by operating segments is as follow:

	2009	2008
	RMB'000	*RMB'000*
Revenue		
Manufacturing	**655,959**	630,694
Trading	**72,535**	109,279
Total revenue	**728,494**	739,973

A further breakdown of revenue by products are as follows:

	Turnover			
	2009		2008	
	RMB'000	***% of total***	*RMB'000*	*% of total*
Manufacturing				
Aroma chemicals	**486,651**	**67%**	453,744	61%
Natural extracts	**113,084**	**15%**	108,997	15%
Intermediates	**56,224**	**8%**	67,952	9%
	655,959	**90%**	630,694	85%
Trading	**72,535**	**10%**	109,279	15%
Turnover	**728,494**	**100%**	739,973	100%

In 2009, revenue from our manufacturing business was able to sustain a stable growth. The growth for our three major products within the manufacturing business reached 4%. The Group's turnover for the year was RMB728 million, a slight decrease of 2% from the previous year. Profit attributable to shareholders dropped to RMB107 million by 6% from the previous year. Basic earnings per share were approximately RMB23 cents.

Manufacturing

(i) Aroma Chemicals

Aroma Chemicals continued to be the Group's core products during the year under review, and constituted a stable and major income source for the Group. 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 continued to rise, the aroma chemical products continued to be the major growth driver of the Group's operation.

For the year ended 31 December 2009, with increases in orders placed by existing customers and the selling prices, turnover of aroma chemicals increased by 7% to RMB487 million (2008: RMB454 million), accounting for 67% of the Group's turnover (2008: 61%) and a gross profit margin of 24.2% (2008: 27.5%). Dihydromyrcenol was the major contributor which brought a revenue of RMB127 million to the Group. Its sales was up 9% over previous year and accounted for 26% of the total revenue for this product category.

In addition, the launch of certain new food flavor chemicals last year was well responded by the market. The production has already contributed RMB73.8 million to the Group's revenue, with a profit margin amounted to 38%, 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.

(ii) *Natural Extracts*

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

During the year under review, the Group's natural extract products 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 from sale on Natural Extracts sustained at RMB113 million (2008: RMB109 million), accounting for 15% (2008:15%) of the Group's sales. Gross profit margin amounted to 26.4%, (2008: 30.2%). The performance of Natural Cinnamic Aldehyde was relatively outstanding among other Natural Extracts. This product contributed revenue of RMB38.9 million to the Group and its sales surged by 17% over the corresponding period last year and accounted for 34% of the total revenue for this product category.

(iii) *Intermediates*

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

During the year under review, due to slow-down of the market demand, orders for the Group's intermediate products dropped mildly. Turnover fell by 17% year-on-year to RMB56.2 million (2008: RMB68.0 million), accounting for 8% (2008: 9%) of the Group's sales. Gross profit margin was 56.1% (2008: 67.6%). 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 intermediate produced by the Group. Sales for this product accounted for 36% of the overall sales of inventories and contributed revenue of RMB20.2 million to the Group.

Trading

The trading products include gum rosin, gum turpentine and other special botanic essential oils and their by-products. This year, revenue from the Group's trading business was down 33% year-on-year to RMB72.5 million, accounting for 10% of the Group's turnover. The contribution to gross profit was approximately RMB7.6 million.

FINANCIAL REVIEW

Turnover

The Group's turnover for the year ended 31 December 2009 amounted to RMB728million, about the same as RMB740 million recorded in 2008. The Group's Phase III expansion of Haichang Plant was completed in 2008 and launched into production during the year. Meanwhile, the rise in the selling prices of the existing products also contributed to the increase in the Group's operating income.

Geographically, domestic sales of the Group's fine chemical products was down 5% from 2008 whereas overseas sales of the Group's fine chemical products increased by 6%.

Gross profit

During the year under review, the Group's gross profit totaled RMB187 million, down 11%. Gross profit margin dropped to 25.7% from 28.4% in 2008. Although the Group has raised the price of some products so as to shift partial cost pressure to customers, the hike in raw material prices still drove down the gross profit margin.

By the products category, the gross profit margin of aroma chemicals decreased from 27.5% in 2008 to 24.2% in 2009, while natural extracts decreased from 30.2% in 2008 to 26.4% this year. The profit margin of intermediates decreased from 67.6% in 2008 to 56.1%. The gross profit margin of trading products increased from 6.5% in 2008 to 11.2%.

Operating Income and Expense

The selling and marketing expenses in 2009 accounted for 2.7% of the Group's turnover (2008: 3.8%), while administrative expenses represented 4.2% of turnover (2008: 5.6%). The Group's operation expense has dropped thanks to effective cost-cutting measures.

Finance Costs – Net

The net finance costs increased by approximately RMB9.3 million compared with last year's. This was mainly attributable to the Group's interest expense on its new short-term bank borrowings obtained during the year.

Income Tax Expense

Income tax expense of the Group in 2009 was RMB13.3 million representing an decrease of RMB6.2 million compared with that of previous year. Effective tax rate of the Group is 11.0% (1008: 14.6%) Under the new "Corporate Income Tax Law of the People's Republic of China" 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%.

Profit for the year

Profit for the year in 2009 was RMB107 million, representing a decrease of 6% compared with RMB114 million in 2008. EBITDA for the year was RMB174 million, a slight decrease from 179 million in 2008. Net profit margin went down to 14.8% from 15.4% previous year.

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. For the year ended 31 December 2009, net cash generated from operating activities amounted to RMB179.3 million (2008: RMB67.4 million). With the financial resources obtained from the Group's operations, the Group had utilized RMB43.5 million (2008: RMB87.9 million) in the capital expenditure. During the year under review, the net cash outflow from financing activities amounted to RMB7.7 million (net cash inflow in 2008: RMB132 million).

As at 31 December 2009, the Group had cash and bank deposits of approximately RMB542 million (2007: RMB424 million). The average inventory turnover days, average trade receivable turnover days and average trade payable turnover days were 53 days, 100 days and 48 days respectively (2008: 46, 89 and 44 days).

The Group's financial position remains very solid and healthy during the year under review. As at 31 December 2009, the net current assets and the current ratio of the Group were approximately RMB502 million (2008: RMB548 million) and 2.4 (2008: 3.4) respectively.

As at 31 December 2009, the Group had borrowings of approximately RMB353 million (2008: RMB345 million). Among them, outstanding short-term borrowings amounted to RMB253 million (2008: RMB121 million). As at 31 December 2009, the Group's ratio of total borrowings to total equity, was approximately 42% (2008: 46%) and the Group's net cash balance, being cash and cash equivalents plus pledged bank deposits less borrowings amounted to RMB189 million (2008: RMB78.5 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 2009, bank deposits of RMB27.1 million (2008: RMB37.4 million) and certain property, plant and equipment of the Group with an aggregate net book value of about RMB84.9 million (2008: RMB70.1 million) have been pledged to secure the Group's bank borrowings. As at 31 December 2009, no land use rights were pledged (2008: nil).

Contingent Liabilities

As at 31 December 2009, the Group had no significant contingent liabilities.

Capital Commitments

As at 31 December 2009, the Group had capital commitments of approximately RMB21.3 million (2008: RMB38.3 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 2009, the Group's borrowings of approximately RMB171 million and RMB181 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 RMB505.2 million of the total balance, with the remaining balance of approximately RMB36.7 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 2009, the Group had 342 full-time employees, among whom 338 were based in the PRC. For the year under review, the total employment costs incurred for 2009 including directors' emoluments amounted to RMB27.4 million. The Group has established its human resources policies and procedures with a view to deploy the incentives and rewards of the remuneration system. The remuneration package offered to the staff is appropriate for the duties and in line with the prevailing market terms. Staff benefits, including medical coverage and provident funds, are provided to employees. The Group has also established effective performance evaluation system in which employees are properly rewarded on a performance-related basis under the Group's salary and bonus system. The Group has adopted a share option scheme for the purpose of providing incentives and rewards to the management, key technician and other eligible participants who contribute to the success of the Group's operations.

CORPORATE GOVERNANCE

The Company has adopted and applied the code provisions (the "**Code Provisions**") set out in the Code on Corporate Governance Practices (the "**CG Code**") contained in Appendix 14 to the then prevailing Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2009. The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. In the year under review, the Company has 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.

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

During the year ended 31 December 2009, the Company had not redeemed and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms not less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all Directors and all the Directors have confirmed that they have complied with all the relevant requirements as set out in the Model Code throughout the year ended 31 December 2009.

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 2009.

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 2009.

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 2009 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.

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

Hong Kong, 8 April 2010

As at the date of this announcement, the executive Directors are Mr. Yang Yirong, Mr. Gong Xionghui, Ms. Lu Jiahua, Mr. Lin Like and Mr. Han Huan Guang; the non-executive Director is Mr. Feng Tao; and the independent non-executive Directors are Mr. Yau Fook Chuen, Mr. Wong Yik Chung, John and Dr. Zheng Lansun.