DONGYUE FEDERATION

東岳集團有限公司

DONGYUE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 189)

Announcement of Annual Results for 2009

Financial Highlights

— Revenue amounted to RMB3,544,447,000, representing a decrease of 10.54% over the previous year

— Gross profit amounted to RMB520,441,000, representing a decrease of 22.99% over the previous year

— Gross profit margin decreased to 14.68% from 17.06%

— Profit before tax was RMB131,173,000, compared with RMB131,589,000 of the previous year

— Profit and total comprehensive income attributable to the owners of the Company was RMB165,303,000, representing an increase of 36.90% over the previous year

— Basic and diluted earnings per share were RMB0.08, compared with RMB0.06 of the previous year

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Note	2009 *RMB'000* (Audited)	2008 *RMB'000* (Audited and Restated)
Revenue	*4*	**3,544,447**	3,962,159
Cost of sales		**(3,024,006)**	(3,286,355)
Gross profit		**520,441**	675,804
Other income	*5*	**32,347**	46,188
Distribution and selling expenses		**(154,742)**	(162,946)
Administrative expenses		**(154,442)**	(247,923)
Finance costs	*6*	**(113,447)**	(179,959)
Share of result of an associate		**1,016**	425
Profit before tax		**131,173**	131,589
Income tax credit	*7*	**22,796**	6,789
Profit for the year and total comprehensive income for the year	*8*	**153,969**	138,378
Profit and total comprehensive income attributable to:			
Owners of the Company		**165,303**	120,747
Non-controlling shareholders		**(11,334)**	17,631
		153,969	138,378
Earnings per share			
— basic and diluted *(RMB)*	*9*	**0.08**	0.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Note	**2009** **RMB'000** **(Audited)**	2008 RMB'000 (Audited and Restated)	1 January 2008 RMB'000 (Audited and Restated)
Non-current assets				
Property, plant and equipment		**3,243,681**	3,421,976	3,200,309
Prepayment for purchase of property, plant and equipment		**130,366**	47,509	53,375
Prepayment for land lease		**9,716**	54,369	67,350
Prepaid lease payments		**207,786**	206,267	198,868
Intangible assets		**6,533**	8,789	10,693
Interest in an associate		**14,874**	14,058	9,633
Available-for-sale investments		**21,593**	6,000	6,000
Deferred tax assets		**75,293**	96,723	54,513
		3,709,842	3,855,691	3,600,741
Current assets				
Inventories		**430,015**	487,257	455,601
Prepaid lease payments		**6,182**	5,910	5,541
Trade and other receivables	*11*	**659,384**	595,941	412,639
Tax recoverable		**12,033**	—	—
Pledged bank deposits		**213,309**	82,938	606,447
Bank balances and cash		**853,509**	567,200	1,455,583
		2,174,432	1,739,246	2,935,811
Current liabilities				
Amount due to a shareholder		**—**	—	781
Trade and other payables	*12*	**1,213,278**	970,133	2,097,689
Borrowings		**1,601,360**	1,430,800	1,246,829
Tax liabilities		**9,851**	7,245	48,699
Deferred income		**7,535**	8,042	8,578
		2,832,024	2,416,220	3,402,576
Net current liabilities		**(657,592)**	(676,974)	(466,765)
Total assets less current liabilities		**3,052,250**	3,178,717	3,133,976

	2009	2008	1 January 2008
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	(Audited and Restated)	(Audited and Restated)
Capital and reserves			
Share capital	**197,854**	197,854	197,515
Reserves	**1,816,792**	1,701,052	1,648,045
Equity attributable to the owners of the Company	**2,014,646**	1,898,906	1,845,560
Non-controlling shareholders	**230,627**	264,951	235,437
Total equity	**2,245,273**	2,163,857	2,080,997
Non-current liabilities			
Deferred income	**173,013**	172,239	160,211
Deferred tax liabilities	**7,744**	3,629	—
Borrowings	**626,220**	838,992	892,768
	806,977	1,014,860	1,052,979
	3,052,250	3,178,717	3,133,976

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Share capital	Share premium	Share option reserve	Merger reserve	Capital reserve	Statutory surplus reserve	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2008	197,515	1,168,345	2,657	(32,210)	176,952	99,389	232,912	1,845,560	235,437	2,080,997
Profit and total comprehensive income for the year	—	—	—	—	—	—	120,747	120,747	17,631	138,378
Shares issued	339	6,966	—	—	—	—	—	7,305	—	7,305
Transfer	—	—	—	—	—	12,271	(12,271)	—	—	—
Contributions from non-controlling shareholders	—	—	—	—	—	—	—	—	4,068	4,068
Transaction with non-controlling shareholders arising from changes in interests in a subsidiary	—	—	—	—	(19,604)	—	—	(19,604)	19,604	—
Transaction costs attributable to issue of shares	—	(202)	—	—	—	—	—	(202)	—	(202)
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	(11,789)	(11,789)
Dividends paid	—	—	—	—	—	—	(73,953)	(73,953)	—	(73,953)
Recognition of equity-settled shared-based payments	—	—	19,053	—	—	—	—	19,053	—	19,053
Balance at 31 December 2008	197,854	1,175,109	21,710	(32,210)	157,348	111,660	267,435	1,898,906	264,951	2,163,857
Profit and total comprehensive income for the year	—	—	—	—	—	—	165,303	165,303	(11,334)	153,969
Transfer	—	—	—	—	—	28,329	(28,329)	—	—	—
Acquisition of additional interests in a subsidiary	—	—	—	—	(12,941)	—	—	(12,941)	(13,059)	(26,000)
Capital refunded to non-controlling shareholders	—	—	—	—	—	—	—	—	(3,080)	(3,080)
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	(6,851)	(6,851)
Dividends paid	—	—	—	—	—	—	(45,923)	(45,923)	—	(45,923)
Recognition of equity-settled shared-based payments	—	—	9,301	—	—	—	—	9,301	—	9,301
Balance at 31 December 2009	197,854	1,175,109	31,011	(32,210)	144,407	139,989	358,486	2,014,646	230,627	2,245,273

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	2009	2008
	RMB'000	*RMB'000*
	(Audited)	(Audited and Restated)
OPERATING ACTIVITIES		
Profit before tax	**131,173**	131,589
Adjustments for:		
Finance costs	**113,447**	179,959
Interest income	**(7,920)**	(21,069)
Realisation of deferred income	**(8,042)**	(8,578)
(Recovery of) impairment losses recognised on receivables	**(6,139)**	2,414
Depreciation and amortisation	**389,565**	350,343
Release of prepaid lease payments	**5,909**	5,541
Equity-settled share-based payment expenses	**9,301**	19,053
(Reversal of) write down of inventories	**(2,144)**	25,897
Share of result of an associate	**(1,016)**	(425)
Loss on disposals of property, plant and equipment	**1,759**	94
Operating cash flows before movements in working capital	**625,893**	684,818
Decrease (increase) in inventories	**59,386**	(57,553)
Increase in trade and other receivables	**(56,804)**	(185,716)
Increase (decrease) in trade and other payables	**324,874**	(684,630)
Increase in deferred income	**8,309**	20,070
Cash from (used in) operations	**961,658**	(223,011)
Interest paid	**(119,900)**	(192,886)
Refund of tax arising from Clean Development Mechanism ("CDM") project	**55,794**	—
Income tax paid	**(16,880)**	(73,246)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**880,672**	(489,143)

	2009	2008
	RMB'000	*RMB'000*
	(Audited)	(Audited and Restated)
INVESTING ACTIVITIES		
Repayment of prepayment (prepayment) for land lease	**36,953**	(328)
Purchase of property, plant and equipment	**(368,656)**	(994,003)
Purchase of intangible assets	**(880)**	(960)
Purchase of an available-for sale investment	**(15,593)**	—
Interest received	**7,920**	21,069
(Increase) decrease in pledged bank deposits	**(130,371)**	523,509
Dividend received from an associate	**200**	—
Interest-bearing loan advances to third parties	**(342,150)**	—
Repayment of interest-bearing loan advances to third parties	**341,650**	—
Acquisition of additional interests in an associate	**—**	(4,000)
NET CASH USED IN INVESTING ACTIVITIES	**(470,927)**	(454,713)
FINANCING ACTIVITIES		
Acquisition of additional interests in a subsidiary	**(26,000)**	—
Proceeds from disposal of property, plant and equipment	**630**	630
Contributions from non-controlling shareholders	**—**	4,068
Net proceeds from issuance of shares	**—**	7,103
Proceeds from borrowings	**2,143,882**	1,965,713
Decrease in amount due to a shareholder	**—**	(781)
Repayment of borrowings	**(2,186,094)**	(1,835,518)
Dividend paid	**(45,923)**	(73,953)
Dividend paid to non-controlling shareholders of subsidiaries	**(6,851)**	(11,789)
Capital refunded to non-controlling shareholders of subsidiaries	**(3,080)**	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(123,436)**	55,473
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**286,309**	(888,383)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**567,200**	1,455,583
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
represented by:		
Bank balances and cash	**853,509**	567,200

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Dongyue Group Limited (the "Company") was incorporated in the Cayman Islands on 24 July 2006 as an exempted company with limited liability. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE") on 10 December 2007.

The Company and its subsidiaries (collectively the "Group") are principally engaged in the manufacture, distribution and sale of refrigerants, polymers, organic silicone and others. In addition, the Group has also established Shandong Dongyue HFC – 23 Decomposition Project to decompose certain greenhouse gases generated from the Group's production process in order to reduce greenhouse gases emission.

The Group has net current liabilities of approximately RMB657,592,000 as at 31 December 2009 (31 December 2008: RMB676,974,000). The consolidated financial statements have been prepared on a going concern basis as in the opinion of the directors of the Company, the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future, taking into account the internally generated resources and the availability of its undrawn banking facilities of approximately RMB1,996,550,000 (31 December 2008: RMB1,765,300,000).

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and its subsidiaries.

2. SIGNIFICANT ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by The Rules Governing the Listing of Securities on the HKSE and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis.

In the application of the Group's accounting policies, the Directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board.

IAS 1 (Revised 2007)	Presentation of Financial Statements
IAS 23 (Revised 2007)	Borrowing Costs
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (Amendment)	Vesting Conditions and Cancellations
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments
IFRIC – Int 9 & IAS 39 (Amendments)	Embedded Derivatives
IFRIC – Int 13	Customer Loyalty Programmes
IFRIC – Int 15	Agreements for the Construction of Real Estate
IFRIC – Int 16	Hedges of a Net Investment in a Foreign Operation
IFRIC – Int 18	Transfers of Assets from Customers
IFRSs (Amendments)	Improvements to IFRSs issued in 2008, except for the amendment to IFRS 5 that is effective for annual periods beginning or after 1 July 2009
IFRSs (Amendments)	Improvements to IFRSs issued in 2009 in relation to the amendment to paragraph 80 of IAS 39

Except as described below, the adoption of the new and revised IFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised IFRSs affecting presentation and disclosure only

IAS 1 (Revised 2007) Presentation of Financial Statements

IAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

In addition, the adoption of IAS 1 (Revised 2007) has resulted in the presentation of a third consolidated statement of financial position as at 1 January 2008 as the Group has reclassified items in its consolidated financial statements.

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

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs May 2008[1]
IFRSs (Amendments)	Improvements to IFRSs April 2009[2]
IAS 24 (Revised)	Related Party Disclosures[6]
IAS 32 (Amendment)	Classification of Rights Issues[4]
IAS 39 (Amendment)	Eligible Hedged Items[1]
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[5]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
IFRS 9	Financial Instruments[7]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
IFRIC 17	Distributions of Non-cash Assets to Owners[1]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 July 2010
6 Effective for annual periods beginning on or after 1 January 2011
7 Effective for annual periods beginning on or after 1 January 2013

The application of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

IFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of the Group's financial assets.

The Directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of goods.

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and to assess their performance. In contrast, the predecessor Standard (IAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segment. The application of IFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14. Nor has the adoption of IFRS 8 changed the basis of measurement of segment profit or loss.

Segment revenues and results:

The following is an analysis of the Group's revenue and results by reportable segment.

Year ended 31 December 2009

	Refrigerants (note) *RMB'000* (Audited)	Polymers *RMB'000* (Audited)	Organic silicone *RMB'000* (Audited)	Other operations *RMB'000* (Audited)	Eliminations *RMB'000* (Audited)	Consolidated *RMB'000* (Audited)
External sales	**2,390,550**	**666,793**	**419,107**	**67,997**	**—**	**3,544,447**
Inter-segment sales	**403,627**	**—**	**—**	**—**	**(403,627)**	**—**
Total revenue — segment revenue	**2,794,177**	**666,793**	**419,107**	**67,997**	**(403,627)**	**3,544,447**
Segment Results	**189,262**	**62,770**	**2,791**	**814**	**—**	**255,637**

Reconciliation of segment results to consolidated profit before taxation and consolidated profit for the year:

Unallocated corporate expenses (net)	**(12,033)**
Finance costs	**(113,447)**
Share of results of an associate	**1,016**
Profit before taxation	**131,173**
Income tax credit	**22,769**
Profit and total comprehensive income for the year	**153,969**

Note: Include the CDM project

Year ended 31 December 2008

	Refrigerants (note) *RMB'000* (Audited)	Polymers *RMB'000* (Audited)	Organic silicone *RMB'000* (Audited)	Other operations *RMB'000* (Audited)	Eliminations *RMB'000* (Audited)	Consolidated *RMB'000* (Audited)
External sales	2,688,411	745,988	430,514	97,246	—	3,962,159
Inter-segment sales	521,631	—	—	—	(521,631)	—
Total revenue — segment revenue	3,210,042	745,988	430,514	97,246	(521,631)	3,962,159
Segment Results	253,309	54,449	6,527	7,671	—	321,956

Reconciliation of segment results to consolidated profit before taxation and consolidated profit for the year:

Unallocated corporate expenses (net)	(10,833)
Finance costs	(179,959)
Share of results of an associate	425
Profit before taxation	131,589
Income tax credit	6,789
Profit and total comprehensive income for the year	138,378

Note: Include the CDM project

Segment results represent the results of each segment without allocation of unallocated other income, central administration costs, directors' salaries, share of results of an associate and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Entity-wide disclosures:

Information about major customers

There was no revenue from a single customer that contributed over 10% of the total sales of the Group during each of the two years ended 31 December 2009.

Geographical information

The Group's revenue from external customers by geographical location of customers is detailed below:

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
	(Audited)	(Audited)
The People's Republic of China (the "PRC")	**2,513,341**	2,480,630
Japan	**287,069**	240,736
Korea	**113,824**	122,359
India	**70,288**	38,593
The United Arab Emirates	**26,353**	50,964
Thailand	**19,344**	40,237
Singapore	**44,282**	66,488
Malaysia	**17,003**	21,867
Africa	**33,153**	62,948
Europe	**188,825**	213,977
America	**137,695**	266,081
Other countries/regions	**93,270**	357,279
Subtotal	**1,031,106**	1,481,529
	3,544,447	3,962,159

All non-current assets of the Group are located in the PRC

Other segment information

Year ended 31 December 2009	**Refrigerants**	**Polymers**	**Organic silicone**	**Other operations**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
	(Audited)	**(Audited)**	**(Audited)**	**(Audited)**	**(Audited)**
Amounts included in the measure of segment profit or loss:					
Depreciation of property, plant and equipment	**270,861**	**66,480**	**45,455**	**3,633**	**386,429**
Amortisation of intangible assets	**2,476**	**—**	**616**	**44**	**3,136**
Recovery of impairment losses recognised on receivables	**(5,947)**	**—**	**—**	**(192)**	**(6,139)**
Research and development costs recognised recognised as an expense	**621**	**4,614**	**572**	**—**	**5,807**
(Reversals of) write-down of inventories	**(804)**	**(1,379)**	**—**	**39**	**(2,144)**
Loss (gain) on disposals of property, plant and equipment	**3,402**	**(1,609)**	**—**	**(34)**	**1,759**
Release of prepaid lease payments	**3,233**	**629**	**2,008**	**39**	**5,909**

Year ended 31 December 2008	Refrigerants	Polymers	Organic silicone	Other operations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Amounts included in the measure of segment profit or loss:					
Depreciation of property, plant and equipment	228,910	72,077	41,986	4,506	347,479
Amortisation of intangible assets	2,367	—	434	63	2,864
Impairment losses (recovery of impairment losses) recognised on receivables	3,105	(811)	—	120	2,414
Research and development costs recognised as an expense	1,281	9,779	411	—	11,471
Write-down of inventories	3,344	—	22,496	57	25,897
Loss on disposals of property, plant and equipment	87	—	—	7	94
Release of prepaid lease payments	2,644	841	2,012	44	5,541

5. OTHER INCOME

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
	(Audited)	(Audited and Restated)
Government grants		
— related to expense items *(note)*	**11,129**	11,681
— related to assets	**8,042**	8,578
Interest income	**7,920**	21,069
Net foreign exchange gain	**1,082**	—
Others	**4,174**	4,860
	32,347	46,188

Note: The government grants are mainly for the expenditures on research activities which are recognised as expenses in the period in which they are incurred.

6. FINANCE COSTS

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
	(Audited)	(Audited and Restated)
Interest on:		
Bank loans, overdrafts and other borrowings wholly repayable within five years	**114,884**	172,129
Other borrowings	**5,016**	21,811
Total borrowing costs	**119,900**	193,940
Less: amounts capitalised	**(6,453)**	(13,981)
	113,447	179,959

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a weighted average capitalisation rate of 5.52% (2008: 7.64%) per annum to expenditure on qualifying assets.

7. INCOME TAX CREDIT

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
	(Audited)	(Audited)
PRC enterprise income tax ("EIT")		
— Current year	**17,457**	31,792
— Overprovision in prior years	**(10,004)**	—
— Refund of tax arising from EIT exemption on profit from CDM project *(Note)*	**(55,794)**	—
	(48,341)	31,792
Deferred tax charge (credit)	**25,545**	(38,581)
	(22,796)	(6,789)

Note: The China Ministry of Finance and State Tax Bureau issued a notice on 23 March 2009 in relation to the EIT policy on CDM. According to the notice, the profit earned from CDM project is entitled to an exemption from EIT for the first three years since its first profit making year and 50% reduction for the next three years ("EIT Exemption"), commencing from the time when the project starts to earn the CDM revenue. This EIT Exemption had a retrospective effect from 1 January 2007. The amount represents the EIT paid in respect of the profit earned from CDM project for the years ended 31 December 2007 and 2008 and was refunded to the Group during 2009.

8. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

Profit and total comprehensive income for the year has been arrived at after charging (crediting) the following items:

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Short term employee benefits	**67,804**	93,671
Discretionary bonus	**6,350**	5,440
Post-employment benefits	**5,104**	7,051
Equity-settled share-based payment expenses	**9,301**	19,053
Other staff welfare	**8**	—
Total staff costs (a)	**88,567**	125,215
Cost of inventories recognised as expenses	**2,667,983**	2,947,464
Depreciation of property, plant and equipment	**386,429**	347,479
Amortisation of intangible assets (included in cost of sales)	**3,136**	2,864
Auditor's remuneration	**2,354**	4,105
Net foreign exchange (gains) losses	**(1,082)**	2,442
(Recovery of) impairment losses recognised on receivables	**(6,139)**	2,414
Research and development costs recognised as an expense	**5,807**	11,471
(Reversals of) write-down of inventories	**(2,144)**	25,897
Release of prepaid lease payments	**5,909**	5,541
Loss on disposals of property, plant and equipment	**1,759**	94

Note (a): Directors' emoluments are included in the above staff costs.

9. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Earnings		
Profit for the year attributable to owners of the Company	**165,303**	120,747
Number of shares		
Weighted average number of ordinary shares ('000)	**2,083,623**	2,083,603

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise prices of those options is higher than the average market price for shares for both 2009 and 2008.

10. DIVIDENDS

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Dividends recognised as distribution during the year: 2008 final dividend HK$0.025 (2008: 2007 final dividend HK$0.04) per share	**45,923**	73,953

Final dividend of approximately HK$72,927,000 (HK$0.035 per share) in respect of the year ended 31 December 2009 (2008: final dividend of HK$52,091,000 (HK$0.025 per share) in respect of the year ended 31 December 2008) per share has been proposed by the Directors and is subject to approval by the shareholders in general meeting.

11. TRADE AND OTHER RECEIVABLES

	31 December		1 January
	2009	2008	2008
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	(Audited and Restated)	(Audited and Restated)
Trade receivables	**607,857**	493,940	319,571
Less: allowance for doubtful debts	**(4,744)**	(14,361)	(11,974)
	603,113	479,579	307,597
Prepayment for raw materials	**31,699**	99,791	84,019
Value added tax receivables	**5,980**	—	6,618
Deposits, prepayment and other receivables	**18,592**	16,571	14,405
	659,384	595,941	412,639

Included in the trade receivables are bills receivables amounting to RMB329,827,000 at 31 December 2009 (2008: RMB303,871,000).

Customers are generally granted with credit period less than 90 days. Bill receivables are generally due in 90 days or 180 days. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	31 December	
	2009	2008
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Within 90 days	**508,423**	406,572
91 – 180 days	**91,250**	69,741
181 – 365 days	**3,869**	8,984
1 to 2 years	**743**	680
2 to 3 years	**63**	138
More than 3 years	**3,509**	7,825
	607,857	493,940

Before accepting any new customer, the Group conducts research on the creditworthiness of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. 97% (2008: 99%) of the trade receivables that are neither past due nor impaired have the high ranking record attributable under the research on the creditworthiness.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB12,733,000 (31 December 2008: RMB73,007,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral or credit enhancements over these balances.

	31 December	
	2009	2008
	RMB'000	*RMB'000*
	(Audited)	(Audited)
91 – 180 days	**9,075**	69,741
181 – 365 days	**3,658**	3,266
	12,733	73,007

Allowance of the above amount has not been made by the Group as there has not been a significant change in the credit quality and the amounts are still considered recoverable. The Directors of the Company consider they are in good credit quality.

Movement in the allowance for doubtful debts

	2009	2008
	RMB000	*RMB000*
	(Audited)	(Audited)
Balance at beginning of the year	**14,361**	11,974
Impairment losses recognised on receivables	**—**	2,414
Amounts recovered during the year	**(6,139)**	—
Amounts written off as uncollectible	**(3,478)**	(27)
Balance at end of the year	**4,744**	14,361

The above allowance represents full impairment for trade receivable which are considered not recoverable.

Included in the trade receivables is an amount due from an associate amounting to approximately RMB15,890,000 (31 December 2008: RMB nil) which is aged within 90 days. The associate is generally granted with credit period of less than 90 days. Allowance has not been made by the Group during the two years ended 31 December 2009.

The Group's account receivables that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	US$
	$'000
As at 31 December 2009	20,788
As at 31 December 2008	23,905

12. TRADE AND OTHER PAYABLES

	31 December		1 January
	2009	2008	2008
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	(Audited and Restated)	(Audited and Restated)
Trade payables	**827,023**	426,272	983,846
Receipt in advance	**54,855**	51,593	114,373
Payroll payable *(Note a)*	**96,776**	70,642	86,319
Payable for CDM project *(Note b)*	**115,131**	179,725	250,827
Payable for property, plant and equipments	**65,619**	147,348	591,327
Other payables and accruals	**53,874**	94,553	70,997
Total	**1,213,278**	970,133	2,097,689

Notes:

(a) Included in the payroll payable is a provision amounting to approximately RMB40,499,000, RMB41,095,000 and RMB40,132,000 as at 31 December 2009 and 2008 and 1 January 2008, respectively. The amount of the provision is determined based on the relevant national regulations on social insurance and calculated based on the basic counting unit multiplied by the social insurance rate. The basic counting unit for social insurance shall be the average wages of an employee in the preceding year and shall not be less than the minimum limit promulgated by the local social insurance bureau each year.

(b) According to the relevant PRC regulation, 65% of the proceeds from CDM project belong to PRC government and the Group has collected this portion on behalf of the PRC government.

Included in the trade payables are bills payables amounting to RMB451,600,000 at 31 December 2009 (2008: RMB70,880,000).

The following is an analysis of trade payables by age based on invoice date:

	31 December	
	2009	2008
	RMB'000	RMB'000
	(Audited)	(Audited and Restated)
Within 30 days	**240,163**	102,777
31 – 90 days	**101,785**	148,536
91 – 180 days	**415,791**	123,143
181 – 365 days	**15,279**	43,172
1 – 2 years	**54,005**	8,644
	827,023	426,272

Included in the trade payables are an amount due to an associate amounting to approximately RMB nil (31 December 2008: RMB473,000) and an amount due to a non-controlling shareholder of a subsidiary amounting to approximately RMB5,105,000 (31 December 2008: RMB3,488,000) which are aged within 30 days. The general credit period given by them is three to six months.

13. COMPARATIVE FIGURES

The comparative figures of the followings have been reclassified to conform with the current year's presentation:

Consolidated statement of comprehensive income:

— approximately RMB27,097,000 other losses and approximately RMB24,561,000 exchange loss have been reclassified to administrative expenses; and

— approximately RMB21,069,000 interest income has been reclassified to other income.

Consolidated statement of financial position:

— approximately RMB47,509,000 prepayment for purchase of property, plant and equipment under non-current assets has been reclassified from prepayment under current asset;

— approximately RMB54,369,000 prepayment for land lease under non-current assets has been reclassified from prepayment under current asset;

— approximately RMB5,910,000 prepaid lease payments under current assets has been reclassified from prepaid lease payments under non-current assets; and

— approximately RMB8,042,000 deferred income under current liabilities has been reclassified from deferred income under non-current liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2009, the global financial crisis, triggered by the sub-prime crisis in the United States, brought the global economy into the most serious recession since the World War II, while the PRC economic development also witnessed the most difficult year since the turn of the century. Various governments put unprecedented efforts on introducing economic stimulating policies, which was remarkably successful and the global economy rebounded from the trough at the end of March 2009 with signs of gradual recovery. The PRC government also introduced a series of policies timely, including the RMB4–trillion economy-stimulating plan, which kept the PRC's economic environment basically unchanged amidst the global financial turmoil. Under such background and reliant upon Group management team and all staff members' efforts in broadening income source and stringently controlling costs, the Group achieved satisfactory results.

Leveraging on the its own efforts and leading position in the industry, the Group achieved good results in 2009 amidst the financial crisis. The Group recorded revenue of RMB3,544,447,000, representing a decrease of 10.54% from 2008, while the profit attributable to shareholders was RMB165,303,000, representing an increase of 36.90% from 2008. 2009 Basic earnings per share were RMB0.08.

In 2009, technological innovation, especially the research and development of ionic membrane, had substantial breakthrough and aroused attention of the general public. The organic fluorine and organic silicon industry engaged by the Group are new material industries and has been regarded as part of an industry revitalization planning and technological revitalization planning of the PRC and Shandong Province, and become an strategic emerging industry which encourages focused development. In September of the year under review, the Group achieved successful trial production of chloralkali ionic membrane after eight years of research and development. Such success has changed the monopolistic landscape of technology which has prevailed internationally for a few decades. Such scientific result has a significant implication on the nation's industrial security and the healthy development of the chloralkali industry, and also on the adjustment and optimization of the Group's industrial structure. Hence, the Group also garnered the most advanced technology of organic fluorochemical polymer and successfully explored a brand-new sector.

During the year under review, Hu Jintao, President of the People's Republic of China, and Wen Jiabao, Premier of the State Council, paid their visits to the Group respectively. The technological innovation and self research and development ("R&D") of the Group were highly appreciated, which in turn raised the Group's social and brand influence tremendously. The Group has obtained awards including the recognition as an「改革開放30年山東省功勳企業」(Honorable Enterprise in Shandong Province since China's Open Policy Three Decades Ago), one of the「新中國60年山東百家領袖品牌」(Hundred Leading Brands in Shandong Province since the Establishment of New China Six Decades Ago), and an「中國化工行業企業文化先進單位」(Advanced Enterprise in the Chemical Industry in China).

Looking back to 2009, the Group's profitability was seriously dampened in the first quarter under the impact of the financial crisis. On the back of the introduction of economy-stimulating plans by the PRC government and its increased efforts on the promotion of "Rural Appliance Rebate Program", the market demand for the Group's refrigerants, polymer and organic silicone products were on the track of recovery in the second quarter, while there was even an excessive demand for some major products. To cope with the extreme challenges of the financial crisis, the Group acted decisively and firmly in modifying its own capability by lowering cost and raising its competitive edges, while maximizing efforts on all aspects such as marketing, technology, management, energy saving and emission reduction. Success was gained and the Group reaped a great harvest on enhancement of technology, management enhancement and market competitiveness, which in turn brought satisfactory results for the Group.

In 2009, the Group expanded a number of projects to enhance the integration of our production chain, our products' market competitiveness and market shares:

Expansion Project on Methane Chloride of 60,000 Tons Production Capacity Per Year

Under the impact of the reduction and suspension of CFM worldwide, the supply of CFM, a major raw material of HCFC 22 refrigerant, was once tightened and the price increased correspondingly. As it is expected that such situation would not improve in a short time, the Group commenced investment in expanding the production facilities of methane chloride with a scale of 60,000 tons in 2009 to secure a steady supply of CFM, the major raw material of refrigerants. The expansion of production facilities is expected to be completed by the end of May 2010.

High-end PTFE Project of 7,300 Tons Production Capacity Per Year

In the arena of fluorochemical polymer, there is an abundant supply of low-end products locally in the PRC, while high-end products are basically unavailable at all. The high-end PTFE resin that the Group intends to produce has performance and quality reaching internationally advanced standard and has obtained recognition by relevant technology authorities. Primarily it is applied to the electronics, chemical, mechanical, construction, automotive industries as various protective layer of electrical appliances, anti-corrosive tube materials, sealing materials for electrical wires and cables, communications and IT, military clothes, glass paint cloth and specific coating materials, which are all high-tech products. With strong domestic demand, a large volume of imports is necessary every year to meet such demand of the domestic market, albeit its price at a premium of more than 50% over corresponding low-end products.

As the Group has made a breakthrough on developing PTFE high-end products, its investment in constructing a high-end PTEE project of 7,300 tons could mitigate the problem of excessive demand for high-end PTFE resin in the country by replacing imported products, raising the Group's competitive edges in both local and international markets. This project is expected to be completed by the end of August 2010.

Expansion Project of Organic Silicone Monomers of 100,000 Tons Production Capacity Per Year and Deep-processing Project of Organic Silicone

The construction of the organic silicone project of 100,000 tons, once suspended under the impact of financial crisis, resumed in late 2009 when market showed signs of recovery. The implementation of the project would enable the Group to achieve economy of scale for its organic silicone products and lower unit production cost. The project will be completed and commence production by late 2010. To enhance the risk-resistant capability of organic silicone product, the Group newly built a silicone rubber production line of 15,000 tons, which increased the Group's self processing capability of organic silicon monomers and enriched the variety of the product.

2010 is a year with opportunities and challenges. Judging from the current situation, the impact of the financial crisis is gradually diminishing and the market demand is also reviving gradually in tandem with the recovery of the economy.

Nevertheless, the Group still maintains its prudency and regards the guiding principle of "Prudent Operations to Guard Against Risks" as the fundamental strategy for its operations in 2010. The Group will adopt a number of measures to enhance its competitive advantages and consolidate its leading position:

The first measure is to accelerate the adjustment and upgrading of the industry

Structural adjustment and upgrading will be conducted in respect of technology development, project and complementary public facilities to achieve high effectiveness and sustainable development, going inroad to environment protection and low-carbon economy. Such structural adjustment will give the Group's products a high level of technological contents, added value and effectiveness. R&D of environmentally-friendly refrigerants and market promotion as well as the industry upgrading of fluorochemical polymer will be accelerated to enable the commencement of production of self-developed high-quality and high-added-value and high-performance fluorochemical polymer product, while the R&D of downstream deep-processing organic silicone products will be duly carried out.

The second measure is to foster the marketization of ionic membrane and build a technology R&D and production base of fluorochemical functional membrane

Chloralkali industry is a fundamental sector of the chemical industry of the PRC. At present, the chloralkali industry mainly adopts the process of ionic membrane method, accounting for more than 70% of the total capacity of the PRC. The remainder are those outdated processes to be eliminated by the market soon. The ionic membrane chloralkali process is currently the most advanced process and technology in the world. Its core component is a total-fluorine ionic membrane, the production technology of which is under the monopolistic ownership of a few foreign enterprises. In China, 100% of the ionic membrane required by the country's chloralkali industry is imported. This has affected the healthy development of the chloralkali industry of the PRC. The strategic significance of ionic membrane to the national industrial security of the PRC has driven the government's embarking on the research and development of such technology since the sixth Five-year Plan of the PRC. Since then, a number of research organizations, tertiary institutions and a few dozen of state-run enterprises have shown their attempts, obtaining results to a certain extent without, however, any significant breakthrough. After the efforts of generations of researchers over these 30-something years, and with the combined mode of cooperation between the private sector, the academia and the research field, the Group has ultimately become successful in its research of core technologies, under the support of the scientific management authorities of the PRC, and trial production of industrialized facilities. The Group will actively involve itself in fostering the launch of ionic membrane to the market. It is anticipated that the R&D team and the research platform will be relied upon for carrying on the research and development of flurochemical polymer materials for the extension of the value of the industry chain.

The third measure is to foster the development of new refrigerants, especially the application and promotion of Dongyue's DYR-3 new environmental refrigerants, to expedite the replacement of foreign products with Dongyue's environmental refrigerants in the PRC's domestic market.

FINANCIAL REVIEW

Results Highlights

For the year ended 31 December 2009, the Group recorded revenue of approximately RMB3,544,447,000, representing a decrease of 10.54% over last year. The gross profit margin was 14.68% (2008: 17.06%). During the year, the Group recorded profit before tax of approximately RMB131,173,000 (2008: RMB131,589,000), and net profit of approximately RMB153,969,000 (2008: RMB138,378,000), while profit attributable to the Company's owners was approximately RMB165,303,000 (2008: RMB120,747,000), representing an increase of 36.90% over last year. Basic earnings per share were RMB0.08 (2008: RMB0.06).

Segment Operating Results

Set out below is the comparison, by segments, of the Group's revenue and results for the year ended 31 December 2009 and the year ended 31 December 2008:

	For the year ended 31 December 2009			For the year ended 31 December 2008		
Reportable Segments	**Revenue** *(RMB'000)*	**Results** *(RMB'000)*	**Operating Results Margin** %	Revenue *(RMB'000)*	Results *(RMB'000)*	Operating Results Margin %
Refrigerants	**2,794,177**	**189,262**	**6.77**	3,210,042	253,309	7.89
Polymers	**666,793**	**62,770**	**9.41**	745,988	54,449	7.30
Organic silicone	**419,107**	**2,791**	**0.67**	430,514	6,527	1.52
Others	**67,997**	**814**	**1.20**	97,246	7,671	7.89
	3,948,074	**255,637**	**6.47**	4,483,790	321,956	7.18
Less: Inter-segment sales	**(403,627)**	**—**	**—**	(521,631)	—	—
Consolidated	**3,544,447**	**255,637**	**7.21**	3,962,159	321,956	8.13

Analysis of Revenue and Results

During the year under review, the refrigerants business remained to be the largest contributor to the revenue of the Group, accounting for approximately 67.44% (excluding inter-segment sales). The revenue decreased by 12.96% to RMB2,794,177,000 from RMB3,210,042,000 of last year, which was primarily caused by the decline in the sales of HCFC22 and HFC134a, the two major refrigerant products of the Group, as well as the decline in the sales of dichlormethane and liquid alkali, the Group's side products in this business segment. During the year, due to the diminished demand of the refrigerants, there showed a generally significant drop of both sales volume and selling price of the refrigerants as compared to the year of 2008.

During the year, the revenue of the polymers business decreased by 10.62% to RMB666,793,000 from RMB745,988,000 of the year of 2008. The decrease was mainly attributable to the drop of the sales of PTFE, the Group's largest polymers product.

For the organic silicone business, the revenue decreased by 2.65% to RMB419,107,000 from RMB430,514,000 of last year, while its contribution to the Group's revenue was increased to 11.82% from 10.87% of last year. Compared to the other business segments, the decrease of the organic silicone business was the minimal, reflecting a huge market potential of the organic silicone business.

With regard to the operating results margin, the consolidated segment operating results margin of the Group was 7.21% (2008: 8.13%), representing a decline of 0.92% from 2008.

The results of the refrigerants business contributed 74.04% (2008: 78.68%) to the total segment results of the Group, while its operating results margin was 6.77%, compared with 7.89% in the year of 2008. With our current market position, the Group is not only influential to, but also commands a large extent of authority in the industry. In 2009, although suffered from the pressure of decreased selling price, the Group, with its initiative coordination and dedicated effort, as well as its stringent control on the raw materials and production cost during the year, had been able, to a great extent, to stabilize the operating results of this segment. In addition, the CDM project and PVC business also contributed to the results of this business segment. However, as the result of the recession of both the international and domestic market, the selling price of liquid alkali and dichlormethane dropped substantially, leading to the overall decrease in the operating results margin of this business segment.

The polymers business contributed approximately 24.55% (2008: 16.91%) to the total segment results of the Group, while its operating results margin increased to 9.41% from 7.30% of last year. It was mainly due to the successful reinforcement of its sales efforts in the face of the shrinking market of the relevant industries, thereby leading to the increase of the market share and its bargaining power. In addition, the export tax rebate rate applicable to this segment had been increased. The operating results margin of PTFE and HFP, the two major products of this business segment, were increased during the current year.

The contribution made by the organic silicone business accounted for about 1.09% (2008: 2.03%) of the total segment results of the Group. The operating results margin of the business drastically decreased to 0.67% from 1.52% of last year, primarily due to the decline of product selling prices as a result of the unfavourable market as well as the soaring material prices.

Capital Expenditure

For the year ended 31 December 2009, the Group's capital expenditure was approximately RMB219,103,000 (2008: RMB584,139,000), which was mainly used in the acquisition of fixed assets including equipment and facilities of the Group's Industrial Park.

Liquidity and Financial Resources

The Group's financial position is sound with strong operational cash flow. As at 31 December 2009, the Group's total equity amounted to RMB2,245,273,000, representing an increase of 3.76% compared with 31 December 2008. As at 31 December 2009, the Group's bank balances and cash totaled RMB853,509,000 (31 December 2008: RMB567,200,000). During the current year under review, the Group generated a total of RMB880,672,000 (year ended 31 December 2008: cash outflow of RMB489,143,000 (restated)) cash inflow from its operating activities. The current ratio(1) of the Group as at 31 December 2009 was 0.77 (31 December 2008: 0.72 (restated)).

Taking the above figures into account, together with available balance of bank balances and cash, the unutilized banking credit facilities and its support from its bankers as well as its operational cash flows, the management is confident that the Group will have adequate resources to settle any debts and to finance its daily operational and capital expenditures.

Capital Structure

During the year under review, there has been no change in the share capital of the Company.

As at 31 December 2009, the borrowings of the Group totaled RMB2,227,580,000 (31 December 2008: RMB2,269,792,000). The gearing ratio[(2)] of the Group was 37.96% (31 December 2008: 44.04%).

The Group had no particular borrowing behaviour due to seasonality. As at 31 December 2009, the Group's borrowings comprised non-current portion (more than 1 year) and current portion (within 1 year). The non-current portion of borrowings amounted to approximately RMB626,220,000, of which approximately RMB523,798,000 are repayable more than 1 year but not more than 5 years and approximately RMB102,422,000 are repayable more than 5 years. The current portion of borrowings amounted approximately to RMB1,601,360,000. The Group's borrowings were made at fixed interest rates and floating rates. The weighted average effective interest rates on floating rate borrowings and fixed rate borrowings at 31 December 2009 were 5.33% (2008: 6.84%) and 5.76% (2008: 7.18%) per annum, respectively. As at 31 December 2009, 70% (2008: 56%) of the Group's borrowings bear fixed interest rates.

As at 31 December 2009, the Group's borrowings were denominated in RMB and US dollars, amounting to approximately RMB1,790,365,000 and approximately US$63,202,000 (equivalent to approximately RMB437,215,000) respectively.

Group Structure

During the current year under review, the Group has purchased the 3.18% equity interest in Shandong Dongyue Chemicals Co., Ltd. ("Dongyue Chemicals") from an independent third party. After the purchase, Dongyue Chemicals became a wholly-owned subsidiary of the Group.

Save as disclosed above, there has been no material change in the structure of the Group during the year ended 31 December 2009.

Notes:

(1) Current Ratio = Current Assets/Current Liabilities

(2) Gearing Ratio = Net Debt/Total Capital

Net Debt = Total Borrowings – Bank Balances and Cash

Total Capital = Net Debt + Total Equity

Charge on Assets

As at 31 December 2009, the Group had certain property, plant and equipment and lease prepayments with an aggregate carrying value of approximately RMB1,027,628,000 (31 December 2008: RMB1,508,959,000), and bank deposits of RMB213,309,000 (31 December 2008: RMB82,938,000), which were pledged to secure the Group's borrowings and the bill payables of the Group.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's functional currency is RMB with most of the transactions settled in RMB. However, foreign currencies (mainly the United States dollar) were received/paid when the Group earned revenue from overseas customers and when settling purchases of machinery and equipment from the overseas suppliers.

The Group does not have any hedging policy to manage the risk arising from foreign currency transactions. In order to reduce the risk of holding foreign currencies, the Group normally converts the foreign currencies into RMB upon receipt while taking into account its foreign currencies payment schedule in the near future.

Employees and Emolument Policy

The Group employed 3,829 employees in total as at 31 December 2009 (31 December 2008: 3,649). The Group implemented its remuneration policy, bonus and share option schemes based on the performance of the Group and its employees. The Group provided benefits such as medical insurance and pensions to ensure competitiveness.

In addition, the Group had adopted share options schemes as a long term incentive to the Directors and eligible employees. The emolument policy for the Directors and senior arrangement of the Group is set up by the Company's Remuneration Committee, having regard to the Group's performance, individual performance and comparable market conditions.

OTHER INFORMATION

Use of Net Proceeds from the Initial Public Offering

Shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 10 December 2007 with a total of 523,623,000 offer shares and the net proceeds for the new shares issue of approximately HK$1,051,549,270 (the "Net Proceeds"). As at 31 December 2009, the Net Proceeds have been utilized as follows:

- approximately HK$420.6 million (equivalent to approximately RMB370.8 million) was used to finance the expansion plans, including the expansion of production capacities of the existing plants and development of new product lines, of which:
  - approximately HK$168.2 million (equivalent to approximately RMB148.3 million) was used for the Group's refrigerants business;
  - approximately HK$189.3 million (equivalent to approximately RMB166.9 million) was used for the Group's liquid alkali business;
  - approximately HK$63.1 million (equivalent to approximately RMB55.6 million) was used for polymers business;

- approximately HK$59.1 million (equivalent to approximately RMB52.1 million) was used to finance the construction plans for the Group's organic silicone products, which included construction of new manufacturing facilities for the production of organic silicone monomers and intermediates in the Group's Industrial Park;

- approximately HK$157.7 million (equivalent to approximately RMB139.1 million) was used for equipment upgrades and purchases of advanced production equipment and facilities (including enhancement of the research and development capabilities) in the Group's Industrial Park; and

- approximately HK$52.6 million (equivalent to approximately RMB46.4 million) was used for the working capital and other general corporate purposes.

As at 31 December 2009, any of the Net Proceeds that were not applied immediately to the above purposes were deposited as short-term demand deposits with licensed banks in Hong Kong and/or the PRC and/or with financial institutions in Hong Kong.

HKD1=RMB0.8819

Final Dividend

The Directors recommend the payment of a final dividend of HK$0.035 (2008: HK$0.025) per share in respect of the year 2009, to the shareholders whose names appear on the register of members of the Company on 26 May 2010, subject to the approval of the Company's annual general meeting (the "AGM") on the same date. The expected date for payment of such dividend is 23 June 2010.

Closure of Register of Members

The register of members of the Company will be closed from 19 May 2010 to 26 May 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 18 May 2010.

The AGM

The AGM of the Company will be held on 26 May 2010. A notice of the AGM will be published and dispatched to the shareholders of the Company in due course.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2009.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the HKSE (the "Listing Rules"). The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year ended 31 December 2009 and all Directors confirmed that they have fully complied with the relevant requirements set out in the Model Code during the year.

Audit Committee

The Audit Committee of the Company was established on 16 November 2007 in accordance with Appendix 14 to the Listing Rules. The existing Audit Committee comprises Mr. Ting Leung Huel, Stephen (Chairman), Mr. Yue Run Dong and Mr. Liu Yi, all being independent non-executive Directors.

The Audit Committee met with the management and external auditors on 15 April 2010, to review the accounting standards and practices adopted by the Group and to discuss matters regarding internal control and financial reporting including the review of the Group's annual results for the year ended 31 December 2009 before proposing them to the Board of Directors (the "Board") for approval.

Remuneration Committee

The Company has established a Remuneration Committee to consider the remuneration for Directors and senior management of the Company. The Remuneration Committee comprises Mr. Liu Yi (Chairman) and Mr. Ting Leung Huel, Stephen who are independent non-executive Directors and Mr. Zhang Jianhong who is an executive Director.

Compliance with the Code on Corporate Governance Practices

Throughout the year ended 31 December 2009, save as disclosed below, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules.

Code Provision A.2.1

There was a deviation from provision A 2.1 of the Code:

Mr. Zhang Jianhong is both the Chairman and Chief Executive Officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals who meet regularly to discuss issues affecting operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Zhang, and believes that his appointment as both the Chairman and Chief Executive Officer is beneficial to the business prospects of the Company.

ANNOUNCEMENT OF ANNUAL RESULTS AND PUBLICATION OF ANNUAL REPORT

This final results announcement is published on the Company's website at www.dongyuechem.com and the website of the HKSE at www.hkexnews.hk. The Annual Report will also be available at the websites of the Company and the HKSE and will be dispatched to shareholders of the Company in late April 2010.

By Order of the Board
Dongyue Group Limited
Zhang Jianhong
Chairman

The PRC, 15 April 2010

As at the date of this announcement, the Board comprised Mr. Zhang Jianhong, Mr. Fu Kwan, Mr. Liu Chuanqi, Mr. Cui Tongzheng, Mr. Yang Erning and Mr. Zhang Jian as executive Directors; and Mr. Ting Leung Huel, Stephen, Mr. Yue Run Dong and Mr. Liu Yi as independent non-executive Directors.