



# 東岳集團有限公司

DONGYUE GROUP LIMITED

(於開曼群島註冊成立之有限公司)  
(Incorporated in the Cayman Islands with limited liability)

股份代號 Stock Code: 0189

2021

Interim Report 中期報告



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# Corporate Information

## REGISTERED OFFICE

Vistra (Cayman) Limited  
P. O. Box 31119  
Grand Pavillion, Hibiscus Way  
802 West Bay Road  
Grand Cayman, KY1-1205  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Dongyue International Fluoro  
Silicone Material Industry Park  
Zibo City  
Shandong Province  
the PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 26  
21/F Admiralty Centre  
18 Harcourt Road  
Admiralty  
Hong Kong

## WEBSITE ADDRESS

[www.dongyuechem.com](http://www.dongyuechem.com)

## DIRECTORS

### Executive Directors

Mr. ZHANG Jianhong (*Chairman and Chief Executive Officer*)  
Mr. FU Kwan  
Mr. LIU Chuanqi (*resigned on 11 March 2021*)  
Mr. WANG Weidong (*appointed on 11 March 2021*)  
Mr. ZHANG Jian  
Mr. ZHANG Bishu  
Mr. ZHANG Zhefeng (*Vice President and Chief Financial Officer*)

## Independent Non-Executive Directors

Mr. TING Leung Huel, Stephen  
Mr. YANG Xiaoyong  
Mr. YUE Rundong (*resigned on 11 March 2021*)  
Mr. MA Zhizhong (*appointed on 11 March 2021*)

## COMPANY SECRETARY

Ms. CHUNG Tak Lai

## AUTHORIZED REPRESENTATIVES

Mr. FU Kwan  
Ms. CHUNG Tak Lai

## AUDIT COMMITTEE

Mr. TING Leung Huel, Stephen (*Chairman*)  
Mr. YANG Xiaoyong  
Mr. YUE Rundong (*resigned on 11 March 2021*)  
Mr. MA Zhizhong (*appointed on 11 March 2021*)

## REMUNERATION COMMITTEE

Mr. YANG Xiaoyong (*Chairman*)  
Mr. TING Leung Huel, Stephen  
Mr. ZHANG Jianhong

## NOMINATION COMMITTEE

Mr. ZHANG Jianhong (*Chairman*)  
Mr. TING Leung Huel, Stephen  
Mr. YANG Xiaoyong

## CORPORATE GOVERNANCE COMMITTEE

Mr. ZHANG Jianhong (*Chairman*)  
Mr. LIU Chuanqi (*resigned on 11 March 2021*)  
Mr. ZHANG Bishu  
Mr. WANG Weidong (*appointed on 11 March 2021*)

## **RISK MANAGEMENT COMMITTEE**

Mr. TING Leung Huel, Stephen (*Chairman*)  
Mr. YANG Xiaoyong  
Mr. YUE Rundong

## **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

SMP Partners (Cayman) Limited  
Royal Bank House  
3rd Floor, 24 Shedden Road  
P.O. Box 1586  
Grand Cayman, KY1-1110  
Cayman Islands

## **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Investor Services Limited  
Level 54  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

## **PRINCIPAL BANKERS**

China Construction Bank Corporation  
Huantai Branch  
134 Jianshe Road  
Zibo City Huantai  
Shandong Province PRC

Industrial and Commercial Bank of China Limited  
Huantai Branch  
7 Zhangbei Road  
Zibo City Huantai  
Shandong Province PRC

Bank of China Limited  
Huantai Branch  
48 Heng Huan Road  
Zibo City Huantai  
Shandong Province PRC

Agricultural Bank of China Limited  
Huantai Branch  
101 Zhongxin Road  
Suo Zhen  
Zibo City Huantai  
Shandong Province PRC

China Everbright Bank Company Ltd.  
Huantai Branch  
2299 Suo Zhen Zhongxin Road  
Zibo City, Huantai  
Shandong Province PRC

## **INVESTOR RELATIONS CONSULTANT**

Investor Connect Advisory  
Hong Kong

## **AUDITOR**

Elite Partners CPA Limited  
Certified Public Accountants

## **EXTERNAL LEGAL ADVISOR**

Norton Rose Fulbright Hong Kong  
Freshfields Bruckhaus Deringer Hong Kong

## **STOCK CODE**

189

# Management Discussion and Analysis

## Business Review

Following the gradual improvement of the pandemic in the first half of 2021, the domestic economy has gradually recovered, and the market of the fluorosilicone industry has also significantly improved compared with the corresponding period last year. The Company's management monitors the current situation and seizes every opportunity. While achieving large production and sales volume, the Company has made great efforts in project construction, scientific research and innovation as well as capital operation. The Company has achieved fruitful results with significant growth in operating performance. Burgeoning in the market, the Group drives transformation and upgrades as well as high-quality development on the strength of technological innovation.

### 1. Seizing opportunities for rapid growth from new demand and benefiting greatly from new businesses

With the development and advancement of technology, the global market has a looming demand for high-end technological materials, including high-end products in fluorosilicone materials. Benefiting from the continuous and rapid growth in demand for application of high-frequency communications, new energy, semiconductors and high-end equipment in recent years, the operating results of the Group's fluoropolymer product segment recorded a significant year-on-year increase during the period under review. In particular, PVDF products are essential for application in production equipment for cathode binders for lithium batteries, lithium battery separators, photovoltaic backplanes, semiconductors, etc. The PVDF products of the Group successfully entered the supply system for leading enterprises in the global new energy industry at the beginning of the year. During the period under review, due to the rapid development of the domestic new energy vehicle and photovoltaic industry, the price of PVDF also rose, which was an important factor in the growth of the Group's performance. The Group will seize opportunities and first-mover advantages to actively expand production capacity and improve quality. Meanwhile, during the period under review, the products of the silicone segment achieved stable and high production with low inventory, the prices of the products continued to remain at a high level and the efficiency reached historical highs especially in recent months, which were also one of the biggest highlights of the growth in the Group's performance.

### 2. Accelerating project construction for key products comprehensively and further enhancing competitive advantages in the entire industry chain

Based on the market in recent years, the Group's management believes that a number of products will have a bigger market growth in the future. As such, the Group has decided to increase project construction to expand the production capacity of products with promising market potential. The Group's management has designated this year as "Dongyue Project Construction Year", and has launched the construction of a number of important projects, including projects of fluorinated new materials such as the first phase of 20,000-ton PTFE project and 5,000-ton FEP project. The Group is also expediting the progress of the 300,000-ton organic silicone monomers and 200,000-ton organic silicone downstream deep-processing projects, aiming to put into production in phases by the end of the year and double the production capacity of organic silicone. In terms of ancillary raw materials, the Group has launched the 100,000-ton chloromethane project, 30,000-ton anhydrous fluoride project, etc. In terms of safety and environmental protection, the Group has launched the waste acid recycling projects, wastewater recycling and comprehensive utilization projects. In terms of energy, the Group has completed the acquisition of local power plant projects. Most of the abovementioned projects will be put into operation in the second half of this year or next year. The product scale of these projects will be further expanded by the Group. The Group is also accelerating the procedures for the construction of new planned projects. The procedures for the new 10,000-ton PVDF project and 6,000-ton FKM project have been almost completed and the construction of the projects is expected to start in the second half of the year.

### **3. Fruitful achievements in R&D**

The Group has always focused on the development of fluorosilicone materials. With years of research and development ("R&D") and technology experience, the Group has become a leading domestic enterprise in the field of fluorosilicone material. Many products of the Group have broken the monopoly of foreign technology and realized the localization of high-end materials. In the first half of the year, the Group further increased its R&D efforts. During the period under review, the Group's R&D expenditure amounted to RMB303 million, representing a year-on-year increase of 51.08% and accounted for 4.68% of revenue. As of 30 June, the Group completed 24 new product R&D projects, while 60 projects were in the R&D stage. The newly developed products mainly focus on promising fields such as new energy, high-end communication and high-end equipment. During the period under review, 40 patents were granted to the Group. Currently, the Group's R&D team consists a total of 451 researchers, among which 201 researchers held a master's degree or above. Moreover, six laboratories established by the Group in Beijing, Shanghai, Shenzhen, Japan, Germany and Canada have commenced operation, creating conditions for the Group to further attract high-end technical talents and look for cooperation opportunities with higher education institutes or laboratories.

### **4. Promising prospect for market development**

With the growth of the domestic economy as well as the rapid development of various high-end industries, the market demand for high-end fluorosilicone materials has further increased. Under such circumstances, the Group grasps the pulse of the era by immediately adjusting its sales strategy, increasing sales expansion in the areas of new energy, high-end communication technology and high-end manufacturing industries, among which, lithium battery, photovoltaic, 5G, big data center, high-end equipment manufacturing industries have become the key focus of the Group's sales. The Group has also adjusted its product structure in accordance to such sales objectives. Currently, the Group has well-established cooperative relationship with numerous domestic customers, which not only ensures the growth of the Group's recent performance, but also creates a promising prospect for the Group's future development.

## Prospect

The above measures are the implementation of the decisions made by the Group based on the economic and market environment in the first half of the year. The post-pandemic economic era and the economic and technological revolution under the “Dual Carbon Targets” have opened up new challenges and even more new opportunities for the Group. In this regard, the Group has developed the following strategies in view of the situation in the second half of the year and in the next few years:

### **1. Keeping up with the development trend and driving transformation and upgrades through increasing project construction**

Fluorosilicone materials have excellent properties, and has a wide range of applications, high added value and immense potentials. Moreover, under the backdrop of the “Dual Carbon Economy”, the development in the field of new energy will also drive the expected market growth of fluorosilicone materials. With improving technologies, the Group believes the market demand for fluorosilicone materials will further increase. The Group will endeavor to promote the construction of relevant projects and strive to commence production and achieve production capacity as soon as possible. Taking into account the development trend of the new energy industry, the expansion of the production capacity of PVDF and battery-level development, the Group remains optimistic about the future application prospects and quality improvement of PVDF products and believes that the entire industry chain of R152a-R142b-VDF-PVDF is a unique advantage of the Group and is therefore determined as one of the key areas of production expansion in the next five years. Therefore, the Group aims to increase the production capacity of PVDF to 55,000 tons and auxiliary raw material R142b to 100,000 tons by 2025 through new construction and technological transformation.

### **2. Linkage with sales market to determine R&D direction**

As an innovative high-tech company, R&D is always of the highest priority of the Group’s development, on the other hand the market provides important guidance to the direction of R&D. The development and advancement of technology is inseparable from the support and guarantee of high-performance materials, especially fluorosilicon materials with excellent performance. At present, the Group has formulated a new strategy for sales targeting downstream application areas of high-end materials, and has conducted in-depth and comprehensive cooperation with important downstream customers and leading enterprises to explore a large number of downstream high-end application markets while paying attention to the requirements of materials of downstream enterprises. This helps the Group to solve its current and future problems of material development and import substitution, establish a more stable strategic supply relationship and lock up market share in advance. Also, the Group can form a more comprehensive and higher-end product portfolio and more solid technological and market moats.

### **3. Extending the industrial chain through investment**

The Group will develop plans to invest in the four major industry chains of fluorine, silicone, membrane and hydrogen to further expand its business and lay a solid foundation for the Group's sustainable development in the future. The development strategy of "investment + industry" has become the key strategy of the Group. The Group and its subsidiary, Shandong Dongyue Organosilicone Materials Co., Ltd ("Dongyue Organosilicone"), will focus on speeding up their investment in the project on coordination of raw materials for industrial silicone furnace to improve industrial chain, ensure the supply of raw materials and enhance cost control ability.

### **4. Constant attention and support to the rapid development of Future Hydrogen Energy**

Shandong Dongyue Future Hydrogen Energy Materials Co., Ltd. ("Future Hydrogen Energy") has applied for listing guidance to the Shandong Securities Regulatory Bureau and other listing procedures are steadily advancing. Future Hydrogen Energy is currently the only enterprise in the PRC and one of the few companies in the world that possesses the technological and industrial foundation of the entire industry chain of intermediate-monomer-resin-proton exchange membranes (hydrogen fuel cell membranes, electrolytic hydrogen production membranes, liquid flow energy storage battery membranes), which has high technological and market barriers as well as great development potential in the future. Under the targets of "Peak Carbon Dioxide Emissions" and "Carbon Neutrality", the hydrogen energy industry will be an important direction for the development of the new energy industry in the future. Future Hydrogen Energy has recently been included in the list of the second batch of national "Little Giant" enterprises supported by the Ministry of Industry and Information Technology of the PRC. The Group will continue to maintain its position as the largest shareholder of Future Hydrogen Energy.

The Group has stood at the cutting edge of development of the times, which are now steering the Group to the new course of high-tech development. The Group will firmly grasp the opportunities brought by the times and make use of the Group's 34 years of technology accumulation and development experience to open a new chapter of development for the Group. Since late May, some of the Group's major products have been in short supply and prices have surged rapidly. The Group expects to see higher growth momentum in its results in the second half of the year and we will be in the best shape to respond to future development, thereby bringing better returns and repaying investors for their long-term support and trust in the Group.



## Financial review

### Results Highlights

For the six months ended 30 June 2021, the Group recorded revenue of approximately RMB6,470,878,000, representing an increase of 39.57% over RMB4,636,363,000 of the corresponding period last year. The gross profit margin increased to 26.21% (corresponding period of 2020: 21.71%) and the consolidated segment results margin\* was 16.39% (corresponding period of 2020: 11.48%). The operating results margin\*\* was 16.13% (corresponding period of 2020: 12.17%). During the period under review, the Group recorded profit before taxation of approximately RMB997,895,000 (corresponding period of 2020: RMB505,736,000), and net profit of approximately RMB794,790,000 (corresponding period of 2020: RMB446,747,000), while the total comprehensive income for the period was approximately RMB705,868,000 (corresponding period of 2020: RMB248,184,000). The unaudited consolidated results of the Group have been reviewed by the Audit Committee and the external auditor of the Company.

\* Consolidated Segment Results Margin = Consolidated Segment Results ÷ Revenue × 100%

\*\* Operating Results Margin = (Profit before Tax + Finance Costs - Share of Results of Associates) ÷ Revenue × 100%

### Segment Revenue and Operating Results

Set out below is the comparison, by reportable and operating segments, of the Group's revenue and results for the six months ended 30 June 2021 and the six months ended 30 June 2020:

Reportable and Operating Segments	For the six months ended 30 June 2021			For the six months ended 30 June 2020		Segment Results Margin
	Revenue RMB'000	Results RMB'000	Segment Results Margin	Revenue RMB'000	Results RMB'000	
Fluoropolymer	1,942,387	412,574	21.24%	1,506,705	252,427	16.75%
Refrigerants	1,223,303	118,472	9.68%	1,039,330	76,442	7.35%
Organic silicone	1,610,491	417,732	25.94%	1,134,350	91,786	8.09%
Dichloromethane, PVC and Liquid Alkali	749,218	9,332	1.25%	604,323	26,670	4.41%
Property development	743,382	31,429	4.23%	158,063	54,766	34.65%
Others	202,097	71,256	35.20%	193,592	30,336	15.67%
<b>Total</b>	<b>6,470,878</b>	<b>1,060,795</b>	<b>16.39%</b>	<b>4,636,363</b>	<b>532,427</b>	<b>11.48%</b>

## Analysis of Revenue and Operating Results

During the period under review, the overall domestic economy was picking up, the condition of the industry market was favorable, and the prices of most of the Group's products began to rise. Following the development of downstream industries, some products were seeing soaring demand and short supply, leading their prices to historic highs. In particular, R142b and PVDF were among the products that had outstanding performances. Under such circumstances, all of the major segments of the Group reported varying degrees of growth in their performance.

### Fluoropolymer

During the period under review, the external sales of Fluoropolymer segment was approximately RMB1,942,387,000, representing a year-on-year increase of 28.92% (the first half of 2020: RMB1,506,705,000), accounting for 30.02% (the first half of 2020: 32.50%) of the Group's total external sales. The results of the segment recorded a profit of RMB412,574,000, representing an increase of 63.44% as compared with RMB252,427,000 in the same period of the previous year.

Fluoropolymer segment consists of a large proportion of high-end products. Benefitting from the technological development in China, the downstream demand for fluoropolymer products has been growing in recent years, and the market is booming with continuously rising product prices. Among them, PVDF products from this segment recorded the most remarkable and substantial increase in prices, which were mainly attributable to the rapid growth of the lithium battery and photovoltaic industries, resulting in a surge in demand for PVDF and a price hike. Since the Group possesses a leading edge in the production capacity and technology of PVDF in China, the downstream customers in lithium battery and photovoltaic industries have a higher recognition of the Group's PVDF, which results in its higher competitiveness in the market. Although the price of R142b, a raw material for PVDF, has significantly increased, the Group possesses a complete industrial chain and the R142b required for the production of PVDF is entirely supplied by the Group itself. Therefore, the Group is able to reap all the profits brought by the price hike of PVDF.

The Group relies on the internal supply of R22 for the production of TFE (a fluorocarbon), which is used by the Group for the production of polymers products such as PTFE (a synthetic fluoropolymer with high level of resistance to temperature changes, electrical insulation, and aging and chemical resistant that is used as a coating material and can also be further processed into high-end fine chemicals which can be widely applied in the chemicals, construction, electrical and electronics and automotive industries) and HFP (an important organic fluorochemical monomer, which can be used to produce various fine chemicals). Furthermore, the refrigerants segment of the Group supplied R22 and R142b as the raw materials for the production of a variety of downstream fluoropolymer fine chemicals including FEP (modified materials of PTFE, produced with HFP added in TFE, mainly used in the lining for wire insulation layer, thin-walled tube, heat shrinkable tubes, pumps, valves and pipes), FKM (Fluorine Rubber, a specialized fluorinated material, which is mainly used in the fields of aerospace, automotive, machinery and petro-chemistry because of its superior mechanical property, and excellent oil, chemical and heat resistance), PVDF (fluorocarbon made through aggregation of VDF produced with R142b, mainly used as a lithium battery cathode binder, photovoltaic backplane membrane and anti-corrosion coating) and VDF. The Group possesses domestically leading production capacity in this segment. PTFE, HFP, FEP, FKM and PVDF have a total capacity of 45,000 tons/year, 10,000 tons/year, 5,000 tons/year, 3,000 tons/year, and 10,000 tons/year, respectively.

## Management Discussion and Analysis

The Group has a number of production capacity expansion plans for this segment, including the increase in PTFE capacity by 20,000 tons/year to 65,000 tons/year and the increase in FEP capacity by 5,000 tons/year to 10,000 tons/year. In addition, the production capacity expansion plan of PVDF and FKM has also been put on the agenda.

### Refrigerants

During the period under review, the refrigerants segment's external sales increased by 17.70% to RMB1,223,303,000 from RMB1,039,330,000 in the previous year, accounting for 18.90% (the first half of 2020: 22.42%) of the Group's total external sales. The results of the segment recorded a profit of RMB118,472,000, representing a year-on-year increase of 54.98% from a profit of RMB76,442,000 in the first half of 2020.

During the first half of the year, the price of products in the refrigerants segment, such as R22, R32 and R410a, remained largely the same as that of last year due to the downstream air-conditioning market. R142b is currently the most promising product of the segment. Apart from being used as a refrigerant, which is subject to quota restriction at the moment, R142b is also used as a raw material for the production of the Group's fluoropolymer product, PVDF. As mentioned above, the strong market demand for PVDF during the period under review led to an equally strong demand for R142b and a significant increase in prices. As such, the price of R142b has increased significantly in terms of its sale as a refrigerant; in terms of its usage as a raw material, the Group can also reap the profit from its price increase due to us possessing an edge in the industrial chain.

The Group has the largest production capacity of R22 in the world, with an aggregate production capacity of 220,000 tons/year. R22 is the Group's backbone refrigerants product. Moreover, R22 is the most widely used refrigerant in the PRC and is generally used in household appliances. Apart from that, it has been one of the key raw materials for the production of the fluoropolymers (i.e. PTFE, HFP and other downstream fluorinated chemicals) and R125. R125 and R32 are the key refrigerant mixture for other types of green refrigerants (such as R410a) to replace R22. Currently, the Group's R125 and R32 each have a production capacity of 60,000 tons/year. Currently, R410a has been the principal replacing refrigerant which has been widely applied in inverter air conditioners and other green home appliances. R134a is broadly used in the refrigeration and air-conditioning systems in automobile air conditioners, while R152a is another key refrigerant product of the Group which can also be used as blowing agents, aerosols and cleaning agents, as well as in the production of R142b. The Group's R142b has an aggregate production capacity of 33,000 tons/year. Apart from the fact that R142b can be used as refrigerant, temperature controller medium, and intermediates of aviation propellant, it can also be the main raw material for the production of PVDF. The Group still has expansion plans for R142b, which have currently been put on our agenda.

## Organic Silicone

During the year, the organic silicone segment's external sales increased by 41.97% to RMB1,610,491,000 from RMB1,134,350,000 in the previous year, accounting for 24.89% (the first half of 2020: 24.47%) of the Group's total external sales. The results of the segment recorded a profit of RMB417,732,000, representing an increase of 355.12% from a profit of RMB91,786,000 in the previous year.

The organic silicone segment started to see a gradual improvement in market conditions in the fourth quarter of 2020. During the period under review, the performance of the segment was in a relatively favorable condition, which was mainly attributable to the improved economic situation in China, the increase in downstream market demand, and the instability in market supply, leading to short supply in the market and resulting in higher product price.

This segment mainly included the revenue from the production and sales of DMC (upstream organic silicone intermediates that are used as raw materials to produce deep processed mid-stream and downstream silicone products, such as silicone oils, silicone rubber and silicone resins), 107 Silicone Rubber, Raw Vulcanizate and Gross Rubber (collectively referred to as "Silicone Rubbers", deep processed organic silicone rubber products, where Raw Vulcanizate is a key material for producing Gross Rubber), and other by-products and other high-end downstream products, such as Gaseous Silica and Silicone Oils. Named as "Industrial MSG", organic silicone is widely applied in military, aviation, automotive, electronic, construction and other industries, mainly in the form of additives, treatment chemicals stabilizers, lubricants and sealants and is a key ingredient in industrial processes. The Group initially produces silicone monomers with silicone powder and internally generated chloromethane and further processes them to become silicone intermediates (mainly DMC), with certain portion of which the Group produces for Silicone Rubbers and other organic silicone products. The Group can also produce and generate other by-products and high-end downstream products, such as Gaseous Silica and Silicone Oils through its production processes. The business segment of the Group has an aggregate monomer production capacity of 300,000 tons/year. Dongyue Organosilicone, the producer of the business segment, was successfully listed on Shenzhen Stock Exchange (SZSE) ChiNext Market on 12 March 2020, and the funds raised will be used in the 300,000 tons/year monomer and 200,000 tons/year downstream deep-processing expansion projects. Upon reaching its target output, the segment will have a monomer production capacity of 600,000 tons/year.

## Dichloromethane, PVC and Liquid Alkali

During the year under review, the segment's external sales increased by 23.98% to RMB749,218,000 from RMB604,323,000 in the previous year, accounting for 11.58% (the first half of 2020: 13.03%) of the Group's total external sales. The results of the segment recorded a profit of RMB9,332,000, representing a year-on-year decrease of 65.01% (the first half of 2020: profit of RMB26,670,000).

The products of this segment are chemical commodities and their prices fluctuate with market conditions. During the period under review, the product price related to the segment increased slightly, but the product profit from the segment dropped due to a significant increase in the price of raw materials.



## Management Discussion and Analysis

This segment included the revenue from production and sales of two major auxiliary products (dichloromethane and liquid alkali) of Refrigerants Segment of the Group and PVC products. Liquid alkali is a basic chemical product from the production of methane chloride (essential chemical for the production of refrigerants and organic silicone products), and used in the textile, power and materials industries. Methane chloride includes dichloromethane, which is mainly used to produce antibiotics and as a foaming mode for polyurethane. The Group is engaged in the production of PVC (a widely used thermoplastic polymer applied in the construction industry to replace traditional building materials). The production of refrigerants products generates a chemical, hydrogen chloride, which is one of the basic raw materials for PVC production. Therefore, the Group's PVC production can ensure production synergies, increasing economic value generated from a self-sufficient business chain.

### Property Development

As at the date hereof, this segment includes four property projects, which are located in Huantai County, Zibo City, Shandong Province, Zhangdian District, Zibo City, Shandong Province, Yucheng City, Shandong Province, and Zhangjiajie City, Hunan Province, respectively. The segment's external sales during the year was RMB743,382,000, representing an increase of 370.31% as compared to that in the first half of 2020 (the first half of 2020: RMB158,063,000), accounting for 11.49% of the Group's total external sales. The segment results was RMB31,429,000, representing a decrease of 42.61% as compared with that in the first half of 2020 (the first half of 2020: RMB54,766,000).

### Others

During the period under review, the external sales of the segment was RMB202,097,000, representing an increase of 4.39% as compared with RMB193,592,000 in the previous year. The results of the segment recorded a profit of RMB71,256,000 (the first half of 2020: RMB30,336,000), representing a year-on-year increase of 134.89%.

This segment includes the revenue from the production and sales of other by-products of the operating segments of the Group, such as Ammonium Bifluoride, Hydrofluoric Acid and Bromine.

### Distribution and Selling Expenses

During the period, the distribution and selling expenses increased by 12.32% to RMB191,295,000 from RMB170,309,000 of the corresponding period last year, which is attributable to the increase in the sales transportation fees during the period.

### Administrative Expenses

During the period, the administrative expenses increased by 25.77% to RMB247,337,000 from RMB196,656,000 of the corresponding period last year, which was mainly attributable to (i) an increase in total remuneration during the period; and (ii) an increase in the impairment loss of assets of the Company.

## Finance Costs

During the period, the finance costs decreased by 13.34% to RMB52,759,000 from RMB60,881,000 of the corresponding period last year, which was mainly attributable to decrease in average monthly loan balances of the Group during the period, compared to the corresponding period last year.

## Capital Expenditure

For the six months ended 30 June 2021, the Group's aggregate capital expenditure was approximately RMB1,128,374,000 (six months ended 30 June 2020: RMB805,823,000). The Group's capital expenditure were mainly for the construction of right-of-use assets (land use rights), factories, equipment, and production line for the new projects of the Group.

## Liquidity and Financial Resources

The Group's financial position is sound with healthy working capital management and sufficient operating cash flow. As at 30 June 2021, the Group's total equity amounted to RMB10,886,581,000 representing an increase of 3.38% compared with 31 December 2020. As at 30 June 2021, the Group's bank balances and cash totaled RMB4,310,707,000 (31 December 2020: RMB4,275,728,000). During the period under review, the Group generated a total of RMB1,209,438,000 (six months ended 30 June 2020: RMB1,035,431,000) net cash inflow from its operating activities. The current ratio<sup>(1)</sup> of the Group as at 30 June 2021 was 1.79 (31 December 2020: 1.73).

Taking the above figures into account, together with the available bank balances and cash, the unutilized banking credit facilities and support from its bank as well as its sufficient 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 period, other than as disclosed in the section headed "Employee Option Scheme" in this report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities. The number of issued shares of the Company is 2,111,689,455 as at 30 June 2021.

As at 30 June 2021, the borrowings of the Group totaled RMB1,999,954,000 (31 December 2020: RMB1,904,550,000). The gearing ratio<sup>(2)</sup> of the Group was -26.94% (31 December 2020: -29.06%). The negative gearing ratio as at 30 June 2021 represents the Group is "net cash" positive (i.e. has more cash and cash equivalents than its debt).

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

## Management Discussion and Analysis

### Group Structure

During the period under review, there has been no material change in the structure of the Group.

### Charge on Assets

As at 30 June 2021, the Group has certain property, plant and equipment and right-of-use assets/lease prepayments with the aggregate carrying amount of approximately RMB4,363,000 (31 December 2020: no related charges on property, plant and equipment) and bank deposits of RMB234,837,000 (31 December 2020: RMB290,788,000), which were pledged for pre-sales housing proceeds subject to regulation, mortgages and credit deposits.

### 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.

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

The Group employed 5,956 employees in total as at 30 June 2021 (31 December 2020: 5,576). The Group implemented its remuneration policy and bonus based on the performance of the Group and its employees. The Group provided benefits such as medical insurance, employee option scheme and pensions to ensure competitiveness.

### Interim Dividend

The Board of Directors (the "Board") did not declare the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## Other Information

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

During the current period, other than as disclosed in the section headed "Employee Option Scheme" in this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 June 2021.

### **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 (the "Listing Rules") on the HKSE. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the six months ended 30 June 2021 and all Directors confirmed that they have fully complied with the relevant requirements set out in the Model Code during the period.

### **Audit Committee**

The Audit Committee of the Company was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. The existing Audit Committee comprises Mr. Ting Leung Huel, Stephen (Chairman), Mr. Yang Xiaoyong, Mr. Yue Rundong (resigned on 11 March 2021) and Mr. Ma Zhizhong (appointed on 11 March 2021), all being independent non-executive Directors.

The Audit Committee, the management of the Company and external auditors had on 19 August 2021 reviewed the accounting standards and practices adopted by the Group and discussed matters regarding internal control and financial reporting including the review of the Group's interim results for the six months ended 30 June 2021, which have been reviewed by the Group's external auditors, before proposing them to the Board for approval.

### **Remuneration Committee**

The Company has established a Remuneration Committee with written terms of reference to consider for the remuneration for Directors and senior management of the Company and other related matters. The Remuneration Committee comprises Mr. Yang Xiaoyong (Chairman) and Mr. Ting Leung Huel, Stephen, who are independent non-executive Directors, and Mr. Zhang Jianhong who is an executive Director.



## **Nomination Committee**

The Company established a Nomination Committee with written terms of reference on 18 March 2012 to be responsible for the appointment of new Director(s) of the Company and other related matters. Mr. Zhang Jianhong was appointed as the chairman of the Nomination Committee and Mr. Ting Leung Huel, Stephen and Mr. Yang Xiaoyong were appointed as the members of the Nomination Committee.

## **Corporate Governance Committee**

The Corporate Governance Committee was established by the Board with written terms of reference with effect from 21 March 2013 to be responsible for the corporate governance of the Company and other related matters. Mr. Zhang Jianhong was appointed as the chairman of the Corporate Governance Committee and Mr. Liu Chuanqi (resigned on 11 March 2021), Mr Wang Weidong (appointed on 11 March 2021) and Mr. Zhang Bishu were appointed as the members of the Corporate Governance Committee.

## **Risk Management Committee**

The Risk Management Committee was established by the Board with written term of reference with effect from 13 August 2015 to be responsible for the risk management of the Company and other related matters. Mr. Ting Leung Huel, Stephen was appointed as the chairman of the Risk Management Committee, Mr. Yang Xiaoyong, Mr. Yue Rundong (resigned on 11 March 2021) and Mr Ma Zhizhong (appointed on 11 March 2021) were appointed as the members of the Risk Management Committee.

## **Risk Management and Internal Control**

The Board of Directors is responsible for assessing and determining the nature and extent of the risks that the Group is willing to accept in reaching its strategic objectives and to ensure that the Group has established and maintained appropriate and effective risk management and internal control systems. The Board of Directors has supervised the management's design, implementation and monitoring of risk management and internal control systems. The Board confirmed that it is responsible for establishing risk management and internal control systems for the Group and will continue to monitor the system and ensure to review the effectiveness of the risk management and internal control systems of the Company and its principal subsidiaries at least once a year.

The Company has also appointed an independent consulting firm as its internal control adviser to conduct an internal review of the Group, and to provide recommendations to the Company.

The Company's Board of Directors, Audit Committee and Risk Management Committee have also confirmed that they have reviewed the effectiveness of the risk management and internal control systems of the Group and its principal subsidiaries, covering all important monitoring aspects of the Group, including strategic, financial, operational and compliance monitoring.

The Company has also conducted procedures of risk management, which mainly include:

- 1) Identify risk and form risk list;
- 2) Based on the possibility of various types of potential risks and the concerns of the management of the Group, combined with the risk of financial losses, make risk assessment on the impact of operational efficiency, sustainable development capacity and reputation, and prioritize them;
- 3) Identify risk management measures for significant risks, conduct evaluations of the design of risk management measures, and improve the deficiencies through formulating measures;
- 4) Develop risk management manuals for risk management, identify the responsibilities for the management, Board of Directors, Audit Committee and Risk Management Committee in risk management, and continuously monitor risk management;
- 5) The management has reported to the Audit Committee and Risk Management Committee on the review and assessment of risk management, major risk factors and related response measures.

However, risk management and internal control systems are designed to manage rather than eliminate the risk of failing to reach a business goal, and to make reasonable, not absolute, warranties of no significant misrepresentation or loss.

Set out below is the Company's procedures and internal controls for handling and distributing inside information:

- The Company acknowledges its obligations under the Securities and Futures Ordinance and the Listing Rules. The first principle is that the information should be immediately published when the Company is aware of and/or when the related decision is made, unless such inside information falls under the Safe Harbour Provisions under the Securities and Futures Ordinance;
- In dealing with the matters, adhere to the Guidelines on Disclosure of Inside Information promulgated by the Securities and Futures Commission in June 2012 and the "Recent Economic Developments and the Disclosure Obligations of Listed Issuers" issued by the SEHK in 2008; and
- Unauthorized use of confidential or inside information has been expressly prohibited in the internal system.

The Company has set up internal audit function. The Board has reviewed the effectiveness of risk management and internal control systems during the Reporting Period and considered them to be effective and adequate. The Board will continuously improve and monitor the effectiveness of risk management and internal control systems.

## **Compliance with the Code on Corporate Governance Practices**

Throughout the six months ended 30 June 2021, save as disclosed below, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for Code Provision A.2.1.

### **Code Provision A.2.1**

There was a deviation from Code Provision A.2.1 of the Code:

Provision Code A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhang Jianhong is both the Chairman and Chief Executive Officer of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same position provides the Group with stronger and more consistent leadership and allows for more effective planning. Further, the Board considers that this structure will not impair the balance of power, which has been closely monitored by the Board, which comprises experienced and high caliber individuals. The Board has full confidence in Mr. Zhang and believes that the current arrangement is beneficial to the business prospect of the Group.

## **Employee Option Scheme**

On 27 December 2018, the Company adopted an employee option scheme (the "Employee Option Scheme") which shall be valid and effective for a term of five (5) years. The purposes of the Employee Option Scheme are (i) to recognize the contributions by certain employees or consultants of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

Pursuant to the Employee Option Scheme, Dongyue Fluorosilicone Science and Technology Group Co., Ltd. (formerly known as Shandong Dongyue Future Enterprise Management Consulting Services Co., Ltd.), a wholly-owned subsidiary of the Company, as the original trustee (the "Original Trustee") will purchase existing Shares from the market out of cash contributed by the Group of not more than HK\$800,000,000 in total at all material times and hold such Shares on trust for the relevant employees or consultants of the Group selected by the Board (the "Selected Employees"). The Board may, from time to time, at its absolute discretion grant to any Selected Employee the right to purchase the relevant Shares (the "Option"). The Selected Employee may, when exercising the Option, elect the number of Shares which he wishes to (i) be transferred and/or (ii) sell and receive the difference, if any, between the sale price of the Shares and the exercise price of the Option.

During the six months ended 30 June 2021, Shares in the amount of RMB7,052,000 (approximately HK\$8,496,000) have been purchased by the Original Trustee under the Employee Option Scheme. No Options have been granted under the Employee Option Scheme during the reporting period.

As at 30 June 2021, Shares in the amount of RMB230,589,000 (approximately HK\$277,818,000) in total have been purchased and are held by the Original Trustee under the Employee Option Scheme.

Subsequent to the reporting period, the Board has on 9 July 2021 granted 62,570,000 Options to 1,372 Selected Employees at the exercise price of HK\$4.27 per Option Share. Further details on the grant of such Options are set out in the Company's announcement dated 9 July 2021. All such Options granted have been exercised and following such grant and exercise of Options, the Original Trustee no longer holds any Shares under the Employee Option Scheme. On 30 August 2021, the Company has appointed Hainan Xiaoyue Tongda Investment Partnership Enterprise (Limited Partnership) (海南曉岳通達投資合夥企業(有限合夥)) as new trustee in accordance with the Employee Option Scheme in replacement of the Original Trustee.

The Employee Option Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules.

Further details of the Employee Option Scheme are set out in the Company's announcement dated 27 December 2018.

## **DIRECTORS**

The Directors during the six months ended 30 June 2020 and up to date of this report were:

### *Executive Directors*

Mr. Zhang Jianhong (*Chairman and Chief Executive Officer*)

Mr. Fu Kwan

Mr. Liu Chuanqi (*resigned on 11 March 2021*)

Mr. Wang Weidong (*appointed on 11 March 2021*)

Mr. Zhang Jian

Mr. Zhang Bishu

Mr. Zhang Zhefeng (*Vice President and Chief Financial Officer*)

### *Independent Non-Executive Directors*

Mr. Ting Leung Huel, Stephen

Mr. Yang Xiaoyong

Mr. Yue Rundong (*resigned on 11 March 2021*)

Mr. Ma Zhizhang (*appointed on 11 March 2021*)

## **DIRECTOR'S RIGHTS TO ACQUIRE SHARES**

Other than as disclosed in the section headed "Employee Option Scheme" in this report, at no time during the six months ended 30 June 2021 was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors, their respective spouse or minor children to acquire benefit by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.



## DISCLOSURE OF INTERESTS

### (a) Directors' and Chief Executives' interests and short positions in the Shares, underlying Shares and debentures

As at 30 June 2021, the interests or short positions of the Directors and the chief executive of the Company and their respective associates in the Shares, underlying Shares and debentures of the Company or its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the HKSE pursuant to the Model Code were as follows:

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of Shares or underlying Shares</b>	<b>% of issued share capital</b>
Mr. Zhang Jianhong	Corporate interest <sup>1</sup>	258,948,451 (L)	12.26 (L)
	Beneficial interest	7,147,636 (L)	0.34 (L)
Mr. Fu Kwan	Corporate interest <sup>2</sup>	616,646,818 (L)	29.20 (L)
Mr. Zhang Jian	Beneficial interest	397,091 (L)	0.02 (L)
Mr. Zhang Zhefeng	Beneficial interest	650,000 (L)	0.03 (L)

Notes:

- Pursuant to the SFO, as Mr. Zhang Jianhong holds 100% interest in Dongyue Team Limited, Mr. Zhang is deemed to be interested in the 220,246,364 Shares (L) held by Dongyue Team Limited.
- These Shares in which 150,000,000 Share (L) are directly held by Macrolink Overseas Development Limited ("Macrolink Overseas", a wholly owned subsidiary of Macrolink International) and 466,646,818 Shares (L) directly held by Macro-Link International Investment Co. Ltd. ("Macrolink International") which in turn is wholly owned by Macro-Link Industrial Investment Limited ("Macrolink Industrial"). Macro-Link Holding Limited ("Macrolink Holding"), a company owned by Cheung Shek Investment Limited ("Cheung Shek") as to 93.4% and by Mr. Fu Kwan as to 2.83%, respectively, wholly owns Macrolink Industrial. In addition, Mr. Fu Kwan and Ms. Xiao Wenhui directly own Cheung Shek as to 59.76% and 33.46%, respectively.
- L: Long Position

Save as disclosed above, as at 30 June 2021, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the HKSE pursuant to the Model Code.

**(b) Substantial shareholders' and other person's interests and short positions in the Shares, underlying Shares and debentures**

As at 30 June 2021, so far as is known to the Directors and the chief executive of the Company, the following persons (other than the Directors or the chief executive of the Company) had an interest or a short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

<b>Name of Shareholder</b>	<b>Nature of interest</b>	<b>Number of Shares or underlying Shares</b>	<b>% of issued share capital</b>
Macrolink Overseas	Beneficial interest <sup>1</sup>	150,000,000 (L)	7.1 (L)
Macrolink International	Beneficial interest <sup>1</sup>	466,646,818 (L)	22.1 (L)
	Corporate interest <sup>1</sup>	150,000,000 (L)	7.1 (L)
Macrolink Industrial	Corporate interest <sup>1</sup>	616,646,818 (L)	29.20 (L)
Macrolink Holding	Corporate interest <sup>1</sup>	616,646,818 (L)	29.20 (L)
Cheung Shek	Corporate interest <sup>1</sup>	616,646,818 (L)	29.20 (L)
Ms. Xiao Wenhui	Corporate interest <sup>1</sup>	616,646,818 (L)	29.20 (L)
Dongyue Team Limited	Beneficial interest <sup>2</sup>	258,948,451 (L)	12.26 (L)

Notes:

- These Shares in which 150,000,000 Shares (L) are directly held by Macrolink Overseas (a wholly owned subsidiary of Macrolink International) and 466,646,818 Shares (L) directly held by Macrolink International which in turn is wholly owned by Macrolink Industrial. Macrolink Holding, a company owned by Cheung Shek as to 93.4% and by Mr. Fu Kwan as to 2.83%, respectively, wholly owns Macrolink Industrial. In addition, Mr. Fu Kwan and Ms. Xiao Wenhui directly own Cheung Shek as to 59.76% and 33.46%, respectively.
- Pursuant to the SFO, as Mr. Zhang Jianhong holds 100% interest in Dongyue Team Limited, Mr. Zhang is deemed to be interested in the 220,246,364 Shares (L) held by Dongyue Team Limited.
- L: Long Position

**(c) Interests in other members of the Group as at 30 June 2021**

<b>Name of the Company's subsidiary</b>	<b>Name of substantial shareholder of such subsidiary</b>	<b>Nature of interest</b>	<b>% of issued share capital/registered capital of such subsidiary</b>
Shandong Dongyue Fluo-Silicon Materials Co., Ltd.	Zibo Juyue Trading Co., Ltd.	Corporate	16.78
Inner Mongolia Dongyue Peak Fluorine Chemicals Co., Ltd.	Chifeng Zhongxing Information Technology Co., Ltd.	Corporate	49
Chifeng HuaSheng Mining Co., Ltd.	Chifeng Zhongxing Information Technology Co., Ltd.	Corporate	20
Shandong Dongyue Wenhe Fluorine Chemicals Co., Ltd.	Shandong Wenhe New Materials Co., Ltd.	Corporate	49
Yucheng Boyu Real Estate Marketing Planning Co., Ltd	Dalian Zhongyu Investment Co., Ltd.	Corporate	30

Save as disclosed above, so far as is known to the Directors and the chief executive of the Company, as at 30 June 2021, no other person (other than the Directors or the chief executive of the Company) had any interest or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

# Report on Review of Condensed Consolidated Financial Statements



**To the Board of Directors of Dongyue Group Limited**  
(Incorporated in Cayman Islands with limited liability)

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Dongyue Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 24 to 48, which comprise the condensed consolidated statement of financial position as of 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 (“IAS 34”) “Interim Financial Reporting” issued by the International Accounting Standard Board (the “IASB”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

### **Elite Partners CPA Limited**

*Certified Public Accountants*  
10th Floor, 8 Observatory Road,  
Tsim Sha Tsui, Kowloon,  
Hong Kong  
30 August 2021

Lock Kwong Hang, Simon  
Practising Certificate Number: P06735

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue	3	<b>6,470,878</b>	4,636,363
Cost of sales		<b>(4,775,068)</b>	(3,629,967)
Gross profit		<b>1,695,810</b>	1,006,396
Other income and other net (loss)/gain	4	<b>96,302</b>	85,579
Distribution and selling expenses		<b>(191,295)</b>	(170,309)
Administrative and other expenses		<b>(247,337)</b>	(196,656)
Gain on deemed disposal of a subsidiary	16	–	40,850
Research and development costs		<b>(302,758)</b>	(200,395)
Fair value change on financial asset at fair value through profit or loss ("FVTPL")		<b>(7,092)</b>	(1,142)
Share of profit of an associate		<b>7,024</b>	2,294
Finance costs		<b>(52,759)</b>	(60,881)
Profit before taxation		<b>997,895</b>	505,736
Income tax expense	5	<b>(203,105)</b>	(58,989)
Profit for the period	6	<b>794,790</b>	446,747
Other comprehensive income			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
– Fair value change on equity instruments at fair value through other comprehensive income ("FVTOCI")		<b>(88,922)</b>	(198,563)
Total comprehensive income for the period		<b>705,868</b>	248,184
Profit for the period attributable to:			
– Owners of the Company		<b>603,234</b>	404,128
– Non-controlling interests		<b>191,556</b>	42,619
		<b>794,790</b>	446,747
Total comprehensive income attributable to:			
– Owners of the Company		<b>514,312</b>	205,565
– Non-controlling interests		<b>191,556</b>	42,619
		<b>705,868</b>	248,184
Earnings per share	8		
– Basic and diluted (RMB)		<b>0.29</b>	0.20



# Condensed Consolidated Statement of Financial Position

At 30 June 2021

	Notes	<b>At 30 June 2021 RMB'000 (unaudited)</b>	At 31 December 2020 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	<b>5,954,889</b>	5,431,745
Right-of-use assets		<b>792,499</b>	752,591
Prepayments for purchase of property, plant and equipment		<b>701,574</b>	187,879
Intangible assets		<b>54,496</b>	61,320
Interest in an associate		<b>185,054</b>	178,030
Equity instruments at FVTOCI		<b>257,255</b>	402,177
Financial asset at FVTPL		<b>8,707</b>	15,799
Deferred tax assets		<b>61,134</b>	56,360
Deposit paid for acquisition of a subsidiary		<b>119,524</b>	–
Goodwill		<b>123,420</b>	123,420
		<b>8,258,552</b>	7,209,321
<b>Current assets</b>			
Inventories		<b>1,260,334</b>	878,046
Properties for sale		<b>1,863,614</b>	2,740,757
Trade and other receivables	10	<b>1,933,839</b>	1,727,219
Pledged bank deposits		<b>234,837</b>	290,788
Bank balances and cash		<b>4,310,707</b>	4,275,728
		<b>9,603,331</b>	9,912,538
<b>Current liabilities</b>			
Trade and other payables	11	<b>4,081,487</b>	4,252,985
Borrowings	12	<b>861,755</b>	1,406,650
Dividend payable		<b>263,116</b>	–
Tax liabilities		<b>145,036</b>	47,044
Lease liabilities		<b>4,858</b>	4,827
Deferred income		<b>15,336</b>	19,569
		<b>5,371,588</b>	5,731,075

## Condensed Consolidated Statement of Financial Position

At 30 June 2021

	Notes	<b>At 30 June 2021 RMB'000 (unaudited)</b>	At 31 December 2020 RMB'000 (audited)
<b>Net current assets</b>		<b>4,231,743</b>	4,181,463
<b>Total assets less current liabilities</b>		<b>12,490,295</b>	11,390,784
<b>Capital and reserves</b>			
Share capital	13	<b>200,397</b>	200,397
Reserves		<b>8,586,461</b>	8,341,909
Equity attributable to the owners of the Company		<b>8,786,858</b>	8,542,306
Non-controlling interests		<b>2,099,723</b>	1,988,206
<b>Total equity</b>		<b>10,886,581</b>	10,530,512
<b>Non-current liabilities</b>			
Deferred income		<b>320,410</b>	243,729
Deferred tax liabilities		<b>106,495</b>	78,749
Borrowings		<b>1,138,199</b>	497,900
Lease liabilities		<b>38,610</b>	39,894
		<b>1,603,714</b>	860,272
		<b>12,490,295</b>	11,390,784

The condensed consolidated financial statements on pages 24 to 48 were approved and authorised for issue by the Board of Directors on 30 August 2021 and are signed on its behalf by:

**Zhang Jianhong**  
Director

**Zhang Zhefeng**  
Director

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000 (Note a)	FVTOCI reserve RMB'000 (Note b)	Merger reserve RMB'000 (Note c)	Capital reserve RMB'000 (Note d)	Safety reserve RMB'000 (Note e)	Statutory surplus reserve RMB'000 (Note f)	Share held for employee share option scheme RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at 1 January 2020 (audited)	200,397	1,224,924	(1,160,995)	(32,210)	195,790	3,987	1,220,869	(168,897)	6,396,154	7,880,019	1,075,604	8,955,623
Profit for the period	-	-	-	-	-	-	-	-	404,128	404,128	42,619	446,747
Other comprehensive expenses:												
Fair value change on equity investments at FVTOCI	-	-	(198,563)	-	-	-	-	-	-	(198,563)	-	(198,563)
Total comprehensive income for the period	-	-	(198,563)	-	-	-	-	-	404,128	205,565	42,619	248,184
Transfer	-	-	-	-	-	602	-	-	-	602	300	902
Purchase of shares under employee share option scheme	-	-	-	-	-	-	-	(33,296)	-	(33,296)	-	(33,296)
Dividends declared	-	-	-	-	-	-	-	-	(439,255)	(439,255)	-	(439,255)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(222,166)	(222,166)
Acquisition of additional interests in a subsidiary from non-controlling interests (Note g)	-	-	-	-	-	-	-	-	(86,653)	(86,653)	(144,061)	(230,714)
Deemed partial disposal of interest in a subsidiary	-	-	-	-	-	-	-	-	738,143	738,143	1,247,706	1,985,849
Deemed disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(99,831)	(99,831)
As at 30 June 2020 (unaudited)	200,397	1,224,924	(1,359,558)	(32,210)	195,790	4,589	1,220,869	(202,193)	7,012,517	8,265,125	1,900,171	10,165,296
<b>As at 1 January 2021 (audited)</b>	200,397	1,224,924	(1,440,526)	(32,210)	195,790	4,823	1,319,563	(223,537)	7,293,082	8,542,306	1,988,206	10,530,512
Profit for the period	-	-	-	-	-	-	-	-	603,234	603,234	191,556	794,790
Other comprehensive expenses:												
Fair value change on equity investments at FVTOCI	-	-	(88,922)	-	-	-	-	-	-	(88,922)	-	(88,922)
Total comprehensive income for the period	-	-	(88,922)	-	-	-	-	-	603,234	514,312	191,556	705,868
Transfer	-	-	-	-	-	-	-	-	408	408	117	525
Purchase of shares under employee share option scheme	-	-	-	-	-	-	-	(7,052)	-	(7,052)	-	(7,052)
Dividends declared	-	-	-	-	-	-	-	-	(263,116)	(263,116)	-	(263,116)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(80,156)	(80,156)
<b>As at 30 June 2021 (unaudited)</b>	200,397	1,224,924	(1,529,448)	(32,210)	195,790	4,823	1,319,563	(230,589)	7,633,608	8,786,858	2,099,723	10,886,581

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

Notes:

- (a) Under the Cayman Companies Law, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which a dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.
- (b) The fair value reserve represents the net change in the fair value of equity instruments at FVTOCI held at the end of the reporting period.
- (c) Merger reserve arose in group reorganisation completed in 2006.
- (d) On 16 November 2007, the Company repurchased all of the 275,000,000 previously issued ordinary shares of US\$0.1 each and these repurchased ordinary shares were cancelled with all of the authorised but unissued share capital as of that date. On the same date, the authorised share capital was increased to HK\$400,000,000 by the creation of 4,000,000,000 new ordinary shares of HK\$0.1 each. 275,000,000 new ordinary shares of HK\$0.1 each were then issued to the shareholders existing on 15 November 2007. The excess of the repurchased amount over the nominal amount of new shares issued was credited directly to the capital reserve.

The acquisitions of additional interest from non-controlling shareholders of subsidiaries were recognised as transactions with non-controlling interests and the corresponding discount/premium were credited/debited directly against capital reserve.

- (e) Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety of the People's Republic of China ("PRC"), some the Group's PRC subsidiaries are required to set aside an amount of safety reserve at progressive rates from 0.5% to 4% of the total revenue from the sales of hazardous chemical. The reserve can be utilised for the spending in improvements and maintenances of work safety on the Group's daily operations, which are considered expenses in nature and charged to the profit and loss as incurred.
- (f) In accordance with the Company Law of PRC and the relevant Articles of Association, the PRC subsidiaries of the Company are required to appropriate amount equal to 10% of their profit after taxation as determined in accordance with the PRC accounting standards to the statutory surplus reserve.

Statutory surplus reserve is part of shareholders' equity and when its balance reaches an amount equal to 50% of the registered capital, further appropriation is not required. According to the Company Law of the PRC, statutory surplus reserve may be used to make up past losses, to increase production and business operations or to increase capital by means of conversion.

- (g) During the interim period ended 30 June 2020, the Group further acquired 36% of the equity interests of Shandong Dongyue Union Property Co., Ltd., from the minority shareholders.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	<b>Six months ended 30 June</b>	
	<b>2021</b> <b>RMB'000</b> <b>(unaudited)</b>	2020 RMB'000 (unaudited)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>1,209,438</b>	1,035,431
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	<b>(1,065,444)</b>	(743,735)
Proceeds from disposals of property, plant and equipment	<b>22,636</b>	5,980
Purchase of intangible assets	<b>(1,035)</b>	(2,506)
Proceeds from disposal of right-of-use assets	<b>8,495</b>	–
Payment for right-of-use assets	<b>(61,895)</b>	(59,582)
Interest received	<b>34,972</b>	29,779
Proceeds from/(Payment for) pledged bank deposits	<b>55,951</b>	(31,294)
Dividend income from equity instruments at FVTOCI	<b>7,200</b>	–
Deposit paid for acquisition of a subsidiary	<b>(119,524)</b>	–
Proceed from disposal of equity instruments at FVTOCI	<b>50,000</b>	–
Payment for equity instruments at FVTOCI	<b>(60,000)</b>	(60,000)
Capital injection to an associate	–	(100,000)
Net cash outflow from deemed disposal of a subsidiary	–	(94,858)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,128,644)</b>	(1,056,216)
<b>FINANCING ACTIVITIES</b>		
Proceeds from borrowings	<b>816,755</b>	748,000
Repayment of borrowings	<b>(721,351)</b>	(361,205)
Repayment of lease liabilities	<b>(1,252)</b>	(2,459)
Payment on purchase of shares under employee share option scheme	<b>(7,052)</b>	(33,296)
Interest paid	<b>(52,759)</b>	(60,881)
Dividends paid to non-controlling interests	<b>(80,156)</b>	(222,166)
Acquisition of additional interests in a subsidiary from non-controlling interests	–	(230,714)
Net proceed from issue of new shares of a subsidiary	–	1,985,849
<b>NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES</b>	<b>(45,815)</b>	1,823,128
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>34,979</b>	1,802,343
<b>CASH AND CASH EQUIVALENT AT BEGINNING OF THE YEAR</b>	<b>4,275,728</b>	2,943,792
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		
represented by:		
Bank balances and cash	<b>4,310,707</b>	4,746,135



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (“IAS 34”) “Interim Financial Reporting” issued by the International Accounting Standard Board (“IASB”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## 2. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as appropriate.

The accounting policies and the methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

### Application of amendments to International Financial Reporting Standards (“IFRSs”)

In the current interim period, the Group has adopted all the amended IFRSs issued by the IASB that are relevant to its operations and effective for its accounting year beginning on or after 1 January 2021.

Amendments to IFRS 16

Covid-19 Related Rent Concessions

Amendments to IFRS 9, IAS 39 and IFRS 7

Interest Rate Benchmark Reform – Phase 2

The application of the amendments to IFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 3. Segment information

The Group's operations are organised based on the different types of products and property development. Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of products and property development. This is the basis upon which the Group is organised.

The Group's operating and reportable segments are as follows:

- Polymers;
- Refrigerants;
- Organic silicone;
- Dichloromethane, PVC and liquid alkali;
- Property development – development of residential properties at Shandong and Hunan Province, the PRC.
- Other operations – manufacturing and sales of side-products of refrigerants segment, polymers segment, organic silicone segment and dichloromethane, PVC and liquid alkali segment.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 3. Segment information (Continued)

#### Segment revenues and results

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

#### Six Months ended 30 June 2021 (Unaudited)

	Polymers RMB'000	Refrigerants RMB'000	Dichloromethane		Property development RMB'000	Other operations RMB'000	Eliminations RMB'000	Total RMB'000
			Organic silicone RMB'000	PVC and liquid alkali RMB'000				
External sales	1,942,387	1,223,303	1,610,491	749,218	743,382	202,097	-	6,470,878
Inter-segment sales	-	1,068,514	-	7,445	-	524,692	(1,600,651)	-
<b>Total revenue – segment revenue</b>	<b>1,942,387</b>	<b>2,291,817</b>	<b>1,610,491</b>	<b>756,663</b>	<b>743,382</b>	<b>726,789</b>	<b>(1,600,651)</b>	<b>6,470,878</b>
<b>Segment results</b>	<b>412,574</b>	<b>118,472</b>	<b>417,732</b>	<b>9,332</b>	<b>31,429</b>	<b>71,256</b>	<b>-</b>	<b>1,060,795</b>
Unallocated corporate expenses								(10,073)
Finance costs								(52,759)
Fair value change on financial asset at FVTPL								(7,092)
Share of profit of an associate								<u>7,024</u>
<b>Profit before taxation</b>								<b><u>997,895</u></b>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 3. Segment information (Continued)

#### Segment revenues and results (Continued)

##### Six Months ended 30 June 2020 (Unaudited)

	Polymers RMB'000	Refrigerants RMB'000	Dichloromethane			Other operations RMB'000	Eliminations RMB'000	Total RMB'000
			Organic silicone RMB'000	PVC and liquid alkali RMB'000	Property development RMB'000			
External sales	1,506,705	1,039,330	1,134,350	604,323	158,063	193,592	-	4,636,363
Inter-segment sales	-	730,053	-	4,582	-	337,092	(1,071,727)	-
<b>Total revenue – segment revenue</b>	<b>1,506,705</b>	<b>1,769,383</b>	<b>1,134,350</b>	<b>608,905</b>	<b>158,063</b>	<b>530,684</b>	<b>(1,071,727)</b>	<b>4,636,363</b>
<b>Segment results</b>	<b>252,427</b>	<b>76,442</b>	<b>91,786</b>	<b>26,670</b>	<b>54,766</b>	<b>30,336</b>	<b>-</b>	<b>532,427</b>
Unallocated corporate expenses								(7,812)
Finance costs								(60,881)
Gain on deemed disposal of a subsidiary								40,850
Fair value change on financial asset at FVTPL								(1,142)
Share of profit of an associate								2,294
<b>Profit before taxation</b>								<b>505,736</b>

Segment results represent the results of each segment without allocation of unallocated other income, certain administrative and other expenses, directors' emoluments, gain on deemed disposal of a subsidiary, fair value change on financial asset at FVTPL, share of result 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. No segment information on assets and liabilities is presented as such information is not 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.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 4. Other Income and Other Net (Loss)/Gain

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>Other income</b>		
Government grants ( <i>note</i> )	<b>55,970</b>	32,998
Bank deposits interest income	<b>34,972</b>	29,779
Dividend income	<b>7,200</b>	–
Interest income from discounted bills	<b>1,608</b>	3,992
Sundry income	<b>5,873</b>	7,068
	<b>105,623</b>	73,837
<b>Others net (loss)/gain</b>		
Compensation received	<b>326</b>	3,764
Exchange difference	<b>(9,647)</b>	7,978
	<b>(9,321)</b>	11,742
	<b>96,302</b>	85,579

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.



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 5. Income tax expense

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Current tax:		
PRC enterprise income tax ("EIT")		
– Current year	171,326	63,933
– Over-provision in prior years	(7,478)	(46,960)
Land Appreciation Tax ("LAT")	16,287	5,029
	<b>180,135</b>	22,002
Deferred tax:		
– Withholding tax for distributable profits of PRC subsidiaries	17,598	15,407
– Others	5,372	21,580
	<b>22,970</b>	36,987
Income tax expense	<b>203,105</b>	58,989

Notes:

The Company incorporated in the Cayman Islands, is not subject to any income tax pursuant to the rules and regulations of the respective country of incorporation.

No provision for Hong Kong Profits Tax is provided for as the Group did not have estimated assessable profits arising in Hong Kong during the period.

PRC Enterprise Income Tax is calculated at the statutory income tax rate of 25% on the estimated assessable profits of the Company's subsidiaries established in the PRC during the period.

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui [2008] No.1, dividend distributed out of the profits generated since 1 January 2008 held by the PRC entity shall be subject to EIT pursuant to Articles 3 and 27 of the Income Tax Law Concerning Foreign Investment Enterprises and Foreign Enterprises and Article 91 of the Detailed Rules for the Implementation of the Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises. Deferred tax liability of RMB17,598,000 (six months ended 30 June 2020: RMB15,407,000) on the undistributed earnings of subsidiaries has been charged to profit or loss for the period.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 6. Profit for the period

Profit for the period has been arrived at after charging/(crediting) the following items:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Amortisation of intangible assets	<b>7,858</b>	6,881
Cost of inventories recognised as an expense	<b>4,612,560</b>	3,452,483
Depreciation of property, plant and equipment	<b>339,660</b>	314,712
Depreciation of right-of-use assets	<b>13,492</b>	12,836
Fair value change on financial asset at FVTPL	<b>7,092</b>	1,142
Gain on deemed disposal of a subsidiary	–	(40,850)
Government grants	<b>(55,970)</b>	(32,998)
Loss on disposal of property, plant and equipment	<b>15,474</b>	2,332
Impairment on/(Reversal of impairment on) trade and other receivables	<b>4,305</b>	(234)
Write-down of inventories	<b>14,835</b>	–

### 7. Dividends

During the six months ended 30 June 2021, a final dividend of HK\$0.14 per share amounting to HK\$295,636,000 (equivalent to RMB263,116,000) in respect of the year ended 31 December 2020, (30 June 2020: a final dividend of HK\$0.23 per share amounting to HK\$481,205,000 (equivalent to RMB428,035,000) in respect of the year ended 31 December 2019) has been declared and the amount has been paid as at the date of interim report.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 8. Earnings per share

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>'000</b>	'000
	<b>(unaudited)</b>	(unaudited)
Earnings for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share (RMB)	<b>603,234</b>	404,128
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<b>2,059,164</b>	2,064,478

During the six months ended 30 June 2021, 1,650,000 ordinary shares with amount of RMB7,052,000 were purchased under employee share option scheme and no shares have been cancelled during the period.

### 9. Movement in property, plant and equipment

During the six months ended 30 June 2021, the additions of property, plant and equipment is approximately RMB551,749,000 (six months ended 30 June 2020: RMB720,790,000) for the expansion of its operations relating to refrigerants, polymers and organic silicone.

During the six months ended 30 June 2021, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB38,110,000 (six months ended 30 June 2020: RMB8,312,000) for proceeds of RMB22,636,000 (six months ended 30 June 2020: RMB5,980,000) resulting in a loss on disposal of RMB15,474,000 (six months ended 30 June 2020: loss on disposal of RMB2,332,000).

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 10. Trade and other receivables

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
Trade receivables	<b>1,345,030</b>	1,236,340
Less: allowance for doubtful debts	<b>(4,790)</b>	(4,112)
	<b>1,340,240</b>	1,232,228
Prepayments for raw materials	<b>172,005</b>	132,912
Value added tax receivables	<b>83,451</b>	127,575
Prepaid land value increment tax	<b>16,550</b>	21,785
Deposit paid for property development	<b>69,145</b>	58,217
Receivables from disposal of equity instruments at FVTOCI	<b>108,000</b>	42,000
Deposits and other receivables	<b>144,448</b>	112,502
	<b>1,933,839</b>	1,727,219

Included in the trade receivables are bills receivable amounting to RMB947,592,000 at 30 June 2021 (31 December 2020: RMB989,825,000).

Include in the bills receivable are amount due from an associate of the Group of approximately RMB4,123,000, as at 30 June 2021.

Customers are generally granted with credit period of less than 90 days for trade receivables. Bills receivables are generally due in 90 days or 180 days. The following is an aging analysis of trade receivables, net of allowance for doubtful debts presented based on the invoice date, also approximate the date of revenue recognition, which are recognised by the Group at the end of the reporting period.

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
Within 90 days	<b>705,118</b>	714,383
91-180 days	<b>632,694</b>	515,283
181-365 days	<b>2,428</b>	2,562
	<b>1,340,240</b>	1,232,228

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 11. Trade and other payables

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
Trade payables ( <i>note i</i> )	<b>2,150,584</b>	1,961,700
Contract liabilities – sale of chemical products ( <i>note ii</i> )	<b>195,221</b>	114,962
Contract liabilities – sale of properties ( <i>note iii</i> )	<b>1,004,330</b>	1,438,080
Payroll payable	<b>291,871</b>	315,045
Payable for property, plant and equipment	<b>190,383</b>	167,886
Other tax payables	<b>34,272</b>	40,270
Construction cost payables for properties under development for sale	<b>37,820</b>	78,403
Other payables and accruals	<b>177,006</b>	136,639
<b>Total</b>	<b>4,081,487</b>	4,252,985

Notes:

- (i) Included in the trade payables are bills payable amounting to RMB229,700,000 (31 December 2020: RMB298,248,000). Bills payable are secured by the Group's pledged bank deposits.
- (ii) The amount represents the receipt in advance from customers arising from pre-sale of chemical products.
- (iii) The amount represents the receipt in advance from customers arising from the pre-sale of properties in the PRC. The amount was secured by pledged bank deposits of approximately RMB226,228,000 (31 December 2020: RMB211,800,000) as at 30 June 2021.



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 11. Trade and other payables (Continued)

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

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
Within 30 days	<b>1,335,756</b>	1,023,324
31-90 days	<b>625,003</b>	373,493
91-180 days	<b>53,485</b>	363,472
181-365 days	<b>94,654</b>	143,561
1-2 years	<b>20,538</b>	45,726
More than 2 years	<b>21,148</b>	12,124
	<b>2,150,584</b>	1,961,700

### 12. Borrowings

During the six months ended 30 June 2021, the Group obtained new loans amounting to approximately RMB816,755,000 (six months ended 30 June 2020: RMB748,000,000) and repaid loans amounting to approximately RMB721,351,000 (six months ended 30 June 2020: RMB361,205,000). The loans carry interest at rates promulgated by the People's Bank of China Benchmark Interest Rate.

As at 30 June 2021, secured bank borrowings of RMB40,000,000 were secured by the Group's buildings and right-of-use assets with the aggregate carrying amount of approximately RMB59,000,000 (31 December 2020: no secured bank loans were being secured by the Group's buildings and right-of-use assets). The secured bank borrowings carry interest at 4.2% (31 December 2020: 4.35%-4.70%) per annum.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 13. Share capital

	Number of shares '000	Share capital RMB'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2020, 30 June 2020		
1 January 2021 and 30 June 2021	4,000,000	382,200
Issued and fully paid:		
At 1 January 2020, 30 June 2020,		
1 January 2021 and 30 June 2021	2,111,689	200,397

### 14. Employee share option scheme

On 27 December 2018, the Company adopted an employee option scheme (the "Employee Option Scheme") which shall be valid and effective for a term of five years.

Pursuant to the Employee Option Scheme, Dongyue Fluorosilicone Science and Technology Group Co., Ltd. (formerly known as Shandong Dongyue Future Enterprise Management Consulting Services Co., Ltd.), a wholly-owned subsidiary of the Company, as the trustee (the "Trustee") will purchase existing ordinary shares in the share capital of the Company ("Shares") from the market out of cash contributed by the Group of not more than HK\$800,000,000 in total at all material times and hold such Shares on trust for the relevant employees or consultants of the Group selected by the Board (the "Selected Employees").

The Board may, from time to time, at its absolute discretion grant to any Selected Employee the right to purchase the relevant Shares (the "Option"). The Selected Employee may, when exercising the Option, elect the number of Shares which he wishes to (i) be transferred and/or (ii) sell and receive the difference, if any, between the sale price of the Shares and the exercise price of the Option.

During the six months ended 30 June 2021, Shares in the amount of approximately RMB7,052,000 have been purchased by the Trustee under the Employee Option Scheme. No Options have been granted under the Employee Option Scheme up to the date of this report. As at 30 June 2021, Shares in the amount of RMB230,589,000 in total has been purchased by the trustee under the Employee Option Scheme.

Subsequent to the reporting period, the Board has on 9 July 2021 granted 62,570,000 Options to 1,372 Selected Employees at the exercise price of HK\$4.27 per Option Share. All such Options granted have been exercised and following such grant and exercise of Options, the Trustee no longer holds any Shares under the Employee Option Scheme. On 30 August 2021, the Company has appointed Hainan Xiaoyue Tongda Investment Partnership Enterprise (Limited Partnership) (海南曉岳通達投資合夥企業(有限合夥)) as new trustee in accordance with the Employee Option Scheme.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 15. Commitments

At 30 June 2021 and 2020, the Group had outstanding commitments as follows::

	<b>30 June 2021</b> <b>RMB'000</b> <b>(unaudited)</b>	31 December 2020 RMB'000 (audited)
<b>Capital Commitments</b>		
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<b>724,775</b>	257,983
Capital expenditure in respect of equity instruments at fair value through other comprehensive income contracted but not provided in the consolidated financial statements	<b>480,000</b>	480,000
	<b>1,204,775</b>	737,983
<b>Other Commitments</b>		
Construction commitment contracted in respect of properties under development for sale contracted for but not provided in the consolidated financial statements	<b>10,302</b>	21,299
	<b>1,215,077</b>	759,282

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 16. Deemed disposal of a subsidiary

During the interim period ended 30 June 2020, Shandong Dongyue Future Hydrogen Energy Materials Co., Ltd. ("Dongyue Future Hydrogen Energy"), a non-wholly owned subsidiary of the Group, had enlarged its registered capital through capital injection from several new shareholders, and Dongyue Future Hydrogen Energy became an associate of the Group. The net assets of Dongyue Future Hydrogen Energy, at the date of disposal were as follows:

	<b>Date of disposal RMB'000</b>
Property, plant and equipment	<b>231,151</b>
Right-of-use assets	<b>43,854</b>
Intangible assets	<b>10,872</b>
Equity instruments at FVTOCI	<b>3,000</b>
Tax recoverable	<b>2,592</b>
Inventories	<b>14,286</b>
Trade and bill receivables	<b>12,596</b>
Prepayment and other receivables	<b>77,607</b>
Bank balances and cash	<b>94,858</b>
Bank borrowings	<b>(116,845)</b>
Trade and bill payables	<b>(84,230)</b>
Other payables	<b>(106,363)</b>
Contract liabilities	<b>(1,207)</b>
Deferred tax liabilities	<b>(6,389)</b>
Deferred income	<b>(9,399)</b>
Net asset disposed of:	<b>166,383</b>
<b>Gain on deemed disposal of a subsidiary:</b>	
Fair value of retained equity interest in Dongyue Future Hydrogen Energy	<b>107,402</b>
Net assets disposed of	<b>(166,383)</b>
Non-controlling interests	<b>99,831</b>
Gain on deemed disposal	<b>40,850</b>
<b>Net cash outflow arising on deemed disposal:</b>	
Bank balances and cash disposed of	<b>(94,858)</b>
	<b>(94,858)</b>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 17. Deemed partial disposal of interest in a subsidiary

On 12 March 2020, the Group has completed the spin-off of Shangdong Dongyue Organosilicone Co., Ltd (“Dongyue Organosilicone”), an indirect non-wholly owned subsidiary of the Company engaged in manufacture and sale of organosilicon material, through a separate listing of its shares on the ChiNext of Shenzhen Stock Exchange (“Spin-Off”). The Spin-Off involved offering of 300,000,000 new A-share of RMB1 each at an issue price of RMB6.90 per share, which raised a total net cash proceeds of approximately RMB1,985,849,000.

Immediately following the completion of the Spin-Off, the Group’s equity interest in Dongyue Organosilicone was diluted from 77% to 57.75% and thus the Spin-Off is considered as a deemed partial disposal. Since the deemed partial disposal of Dongyue Organosilicone did not result in any loss of control, the transaction was accounted for as an equity transaction and the difference between the net proceeds from the Spin-Off and the then 42.25% carrying value of Dongyue Organosilicone is recognised in the equity of the Group.

A summary of the financial impacts of the Spin-Off are as follows:

	<b>RMB’000</b>
Gross proceeds from the Spin-Off	<b>2,070,000</b>
Less: Total listing expenses	<b>(84,151)</b>
Net proceed directly attributable to the issue of new A-shares of Dongyue Organosilicone	<b>1,985,849</b>
Less: Net assets value of Dongyue Organosilicone recognised as non-controlling interest	<b>(1,247,706)</b>
Difference on deemed partial disposal of Dongyue Organosilicone	<b>738,143</b>

An analysis of the cash flows in respect of the deemed partial disposal of an interest in Dongyue Organosilicone is as follows:

	<b>RMB’000</b>
Gross proceeds from the Spin-Off	<b>2,070,000</b>
Less: Listing expenses for the new shares paid during the year	<b>(84,151)</b>
Net inflow of cash and cash equivalents in respect of the deemed partial disposal of interest in a subsidiary	<b>1,985,849</b>



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 18. Fair value measurement

Some of the Group's financial instruments are measured at fair value for financial reporting purposes.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The following table gives information about how the fair values of these financial assets are determined.

Financial assets	Fair value as at		Fair value	Valuation technique(s) and key inputs(s)	Significant unobservable inputs(s)	Sensitivity/relationship of unobservable inputs to fair value
	30/06/2021 RMB'000	31/12/2020 RMB'000				
Private equity investments at FVOCI	<b>Unlisted equity instruments – 257,255</b>	Unlisted equity instruments – 402,177	Level 3	Income approach – discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate discount rate.	Discount rate, taking into account the cost of equity (COE)/weighted average cost of capital (WACC) determined using a Capital Asset Pricing Model, ranging from 13.90% to 14.20% (2020: 11.65% to 13.56%).  Discount for lack of marketability, determined by reference to the share price of listed entities in similar industries, at 20.6% (2020: 20.6%).	The lower the (COE)/WACC or discount for lack of control, the higher the fair value, and vice versa
Contingent receivables	<b>Asset – 8,706</b>	Asset – 15,799	Level 3	Black-Scholes model – mathematical model for the dynamics of a financial market containing derivative investment instruments, based on an appropriate interest rate and the volatility.	Interest rate, based on the yield curve of China Sovereign Curve as of valuation dates, of 2.64% (2020: 2.81%).  Volatility, estimated based on annualised standard deviation of daily stock price return of comparable companies for the period before valuation date and with similar time span as time to expiration, of 45.94% (2020: 44.8%).	The lower the interest rate, the higher the fair value and vice versa;  The higher the volatility, the higher the fair value and vice versa.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 18. Fair value measurement (Continued)

#### Reconciliation of Level 3 fair value measurements

	Financial asset of FVTPL RMB'000	Equity instruments at FVTOCI RMB'000
As at 1 January 2020 (audited)	–	668,708
Purchases	–	60,000
Deemed disposal of a subsidiary	–	(3,000)
Upon injected additional capital in an associate	19,777	–
Total losses:		
– in other comprehensive income	–	(198,563)
– in profit or loss	(1,142)	–
As at 30 June 2020 (unaudited)	18,635	527,145
<b>As at 1 January 2021 (audited)</b>	<b>15,799</b>	<b>402,177</b>
Purchases	–	60,000
Disposal	–	(116,000)
Total losses:		
– in other comprehensive income	–	(88,922)
– in profit or loss	(7,092)	–
<b>As at 30 June 2021 (unaudited)</b>	<b>8,707</b>	<b>257,255</b>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 19. Related party transactions

Other than set out in the consolidated financial statements, the Group entered into the following related party transactions during the period:

### (a) Related party transaction with an associate of the Group

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
<b>Purchase of raw materials</b>		
Dongyue Future Hydrogen Energy	17,858	7,243

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
<b>Sales of chemical products</b>		
Dongyue Future Hydrogen Energy	36,994	3,332

### (b) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Short-term employee benefits	17,006	18,274

### (c) Bank deposit placed to major shareholder and related interest income

	30 June 2021	31 December 2020
	RMB'000 (unaudited)	RMB'000 (audited)
Bank deposit placed	321,426	321,418

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 19. Related party transactions (Continued)

#### (c) Bank deposit placed to major shareholder and related interest income (Continued)

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Interest income	–	2,337

- (d) On 28 May 2020, Dongyue Organosilicone, an indirect non-wholly owned subsidiary of the Company, and several new investors (“New Investors”) entered into capital injection agreements (“Agreements”) with Dongyue Future Hydrogen Energy, an associate of the Group, with an aggregate amount of RMB300,000,000, which consisted of RMB21,000,000 as registered capital and RMB279,000,000 as capital reserve. Pursuant to the Agreements, Dongyue Organosilicone agreed to inject RMB100,000,000, which consisted of RMB7,000,000 as registered capital and RMB93,000,000 as capital reserve, into Dongyue Future Hydrogen Energy.

As at the date of the Agreements, the executive directors of the Company, (Zhang Jianhong and Zhang Zhefeng), a director of certain subsidiaries within the Group and an associate of the executive director of the Company have equity interests in Dongyue Future Hydrogen Energy. Accordingly, the capital injection constituted a connected transaction of the Company under Rule 14A.28(2) of the Listing Rules.

### 20. Events after the reporting period

On 13 July 2021, Dongyue Organosilicone, a non-wholly owned subsidiary of the Company listed on ChiNext of the Shenzhen Stock Exchange, entered into a framework co-operation agreement with the People’s Government of the Luodian County, Guizhou Province, the People’s Republic of China (the “Luodian People’s Government”) for the investment in an industrial silicone furnace project (the “Framework Co-operation Agreement”).

Pursuant to the Framework Co-operation Agreement, Dongyue Organosilicone agreed to invest in a two-phased industrial silicone furnace project consisting a total of eight furnaces (33,000 kVA), ancillary environmental protection facilities and waste heat power generation located in the Bianyang Town, Luodian County, Guizhou Province, the People’s Republic of China (the “Project”).

The investment amount was approximately RMB1.0 billion by Dongyue Organosilicone (subject to project approval by the relevant governmental authorities). The Land scale of the Project is 800 mu, among which 300 mu will be used for industrial silicone furnaces in phase one of the Project, 300 mu will be used for phase two, and the remaining 200 mu will be treated as reserve land.

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