DONGYUE FEDERATION
東岳集團有限公司

DONGYUE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 189)

(I) ANNOUNCEMENT OF ANNUAL RESULTS FOR 2011; (II) CLOSURE OF REGISTER OF MEMBERS; AND (III) FORMATION OF NOMINATION COMMITTEE

Financial Highlights

— Revenue amounted to RMB10,165,200,000, representing an increase of 70.43% over RMB5,964,322,000 of the previous year

— Gross profit amounted to RMB4,038,287,000, representing an increase of 145.69% over RMB1,643,652,000 of the previous year

— Gross profit margin increased to 39.73% from 27.56% of the previous year, representing an increase of 12.17%

— Profit before tax was RMB3,141,431,000, representing a substantial increase of 194.72% over RMB1,065,909,000 of the previous year

— Profit and total comprehensive income attributable to the owners of the Company was RMB2,189,861,000, representing a substantial increase of 198.40% over RMB733,869,000 of the previous year

— At 31 December 2011, total equity amounted to RMB5,075,296,000, representing an increase of 77.05% over RMB2,866,588,000 as at 31 December 2010

— As at 31 December 2011, net assets per share was RMB2.39, representing an increase of 74.45% over RMB1.37 as at 31 December 2010

— Basic earnings per share were RMB1.04, compared with RMB0.35 of the previous year

(I) Announcement of Annual Results for 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	**2011** ***RMB'000*** **(Audited)**	2010 *RMB'000* (Audited)
Revenue	*4*	**10,165,200**	5,964,322
Cost of sales		**(6,126,913)**	(4,320,670)
Gross profit		**4,038,287**	1,643,652
Other income	*5*	**66,058**	35,859
Distribution and selling expenses		**(211,849)**	(171,279)
Administrative expenses		**(600,587)**	(329,592)
Finance costs	*6*	**(150,277)**	(113,923)
Share of result of an associate		**(201)**	1,192
Profit before tax		**3,141,431**	1,065,909
Income tax expense	*7*	**(880,550)**	(284,412)
Profit and total comprehensive income for the year	*8*	**2,260,881**	781,497
Profit and total comprehensive income attributable to:			
Owners of the Company		**2,189,861**	733,869
Non-controlling interests		**71,020**	47,628
		2,260,881	781,497
		RMB	*RMB*
Earnings per share	*9*		
— basic		**1.04**	0.35
— diluted		**1.03**	0.35

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 *RMB'000* (Audited)	2010 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**4,093,261**	3,822,394
Prepayment for purchase of property, plant and equipment		**75,959**	79,198
Prepayment for land lease		**5,501**	6,154
Deposit for auction of leasehold land		**—**	411,900
Prepaid lease payments		**638,597**	220,201
Intangible assets		**1,253**	3,352
Interest in an associate		**779**	—
Available-for-sale investments		**80,506**	37,727
Deferred tax assets		**132,308**	91,252
Goodwill		**1,354**	1,354
		5,029,518	4,673,532
Current assets			
Inventories		**648,656**	493,623
Prepaid lease payments		**17,404**	6,214
Trade and other receivables	*11*	**1,516,734**	1,039,187
Entrusted loans		**403,000**	75,000
Pledged bank deposits		**4,340**	15,938
Bank balances and cash		**1,509,280**	594,621
		4,099,414	2,224,583
Current liabilities			
Trade and other payables	*12*	**1,310,803**	971,944
Borrowings		**894,578**	1,323,266
Tax liabilities		**196,638**	101,522
Deferred income		**7,215**	9,160
		2,409,234	2,405,892
Net current assets (liabilities)		**1,690,180**	(181,309)
Total assets less current liabilities		**6,719,698**	4,492,223

	2011	2010
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Capital and reserves		
Share capital	**201,111**	199,356
Reserves	**4,581,977**	2,474,910
Equity attributable to the owners of the Company	**4,783,088**	2,674,266
Non-controlling shareholders	**292,208**	192,322
Total equity	**5,075,296**	2,866,588
Non-current liabilities		
Deferred income	**168,029**	175,408
Deferred tax liabilities	**99,865**	40,549
Borrowings	**1,376,508**	1,409,678
	1,644,402	1,625,635
	6,719,698	4,492,223

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to owners of the Company									
	Share capital	Share premium	Share option reserve	Merger reserve	Capital reserve	Statutory surplus reserve	Retained earnings	Total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2010	197,854	1,175,109	31,011	(32,210)	144,407	139,989	358,486	2,014,646	230,627	2,245,273
Profit and total comprehensive income for the year	—	—	—	—	—	—	733,869	733,869	47,628	781,497
Shares issued upon exercise of share options	1,502	27,586	(10,347)	—	—	—	10,347	29,088	—	29,088
Transfer	—	—	—	—	—	81,833	(81,833)	—	—	—
Non-controlling interests arising on the acquisition of subsidiaries	—	—	—	—	—	—	—	—	32,131	32,131
Acquisition of additional interests in a subsidiary	—	—	—	—	(43,309)	—	—	(43,309)	(113,691)	(157,000)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	(4,373)	(4,373)
Dividends paid	—	—	—	—	—	—	(64,110)	(64,110)	—	(64,110)
Recognition of equity-settled share-based payments	—	—	4,082	—	—	—	—	4,082	—	4,082
Balance at 31 December 2010	199,356	1,202,695	24,746	(32,210)	101,098	221,822	956,759	2,674,266	192,322	2,866,588
Profit and total comprehensive income for the year	—	—	—	—	—	—	2,189,861	2,189,861	71,020	2,260,881
Shares issued upon exercise of share options	1,755	36,143	(13,728)	—	—	—	13,728	37,898	—	37,898
Transfer	—	—	—	—	—	275,224	(275,224)	—	—	—
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	—	52,821	52,821
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	(23,955)	(23,955)
Dividends paid	—	—	—	—	—	—	(235,697)	(235,697)	—	(235,697)
Recognition of equity-settled share-based payments	—	—	116,760	—	—	—	—	116,760	—	116,760
Balance at 31 December 2011	201,111	1,238,838	127,778	(32,210)	101,098	497,046	2,649,427	4,783,088	292,208	5,075,296

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2011

	2011	2010
	RMB'000	*RMB'000*
	(Audited)	(Audited)
OPERATING ACTIVITIES		
Profit before tax	**3,141,431**	1,065,909
Adjustments for:		
Finance costs	**150,277**	113,923
Interest income	**(26,779)**	(11,705)
Realisation of deferred income	**(13,814)**	(9,160)
(Reversal) recognition of impairment on trade receivables	**(492)**	2,409
Depreciation and amortisation	**508,517**	449,270
Release of prepaid lease payments	**7,875**	9,555
Equity-settled share-based payment expenses	**116,760**	4,082
Write down (reversal) of inventories	**16,285**	(124)
Impairment losses recognised on property, plant and equipment	**—**	853
Share of result of an associate	**201**	(1,192)
Gain on liquidation of subsidiary	**(1,842)**	—
Gain on fair value of interest in an associate	**—**	(2,634)
Loss on disposals of property, plant and equipment	**56,024**	16,269
Operating cash flows before movements in working capital	**3,954,443**	1,637,455
Increase in inventories	**(171,516)**	(60,225)
Increase in trade and other receivables	**(488,505)**	(350,185)
Increase (decrease) in trade and other payables	**404,555**	(412,233)
Increase in deferred income	**4,490**	13,179
Cash from operations	**3,703,467**	827,991
Interest paid	**(146,339)**	(164,987)
Income tax paid	**(767,174)**	(113,923)
NET CASH FROM OPERATING ACTIVITIES	**2,789,954**	549,081

	2011 *RMB'000* (Audited)	2010 *RMB'000* (Audited)
INVESTING ACTIVITIES		
Net cash outflow from acquisition of an associate	**(980)**	—
Net cash outflow from acquisition of subsidiaries	**—**	(30,589)
Deposit for auction of leasehold land	**—**	(411,900)
Prepayment for land lease	**(24,908)**	(561)
Purchase of property, plant and equipment	**(859,566)**	(825,058)
Purchase of intangible asset	**—**	(15)
Purchase of available-for-sale investments	**(42,779)**	(16,134)
Proceeds from disposal of property, plant and equipment	**11,741**	42,744
Interest received	**26,779**	11,705
Increase in pledged bank deposits	**(12,786)**	(213,309)
Decrease in pledged bank deposits	**24,384**	410,680
Entrusted loans to third parties	**(328,000)**	(135,000)
Repayment of entrusted loans from third parties	**—**	60,000
Interest-bearing loan advances to third parties	**—**	(543,745)
Repayment of interest-bearing loan advances to third parties	**—**	544,245
NET CASH USED IN INVESTING ACTIVITIES	**(1,206,115)**	(1,106,937)
FINANCING ACTIVITIES		
Acquisition of additional interests in subsidiaries	**—**	(157,000)
Capital contribution from non-controlling interests	**14,432**	—
Net proceeds from issuance of shares through exercise of share option	**37,898**	29,088
Proceeds from borrowings	**1,270,500**	2,580,354
Repayment of borrowings	**(1,732,358)**	(2,084,991)
Dividend paid	**(235,697)**	(64,110)
Dividend paid to non-controlling interests	**(23,955)**	(4,373)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(669,180)**	298,968
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**914,659**	(258,888)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**594,621**	853,509
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
represented by:		
Bank balances and cash	**1,509,280**	594,621

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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

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

3. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

New and revised Standards and Interpretations applied in the current year

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

Amendments to IFRSs	Improvements to IFRSs issued in 2010
IAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to IAS 32	Classification of Rights Issues
Amendments to IFRIC-Int 14	Prepayments of a Minimum Funding Requirement
IFRIC-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised IFRSs in the current year has had no material effect on the amounts reported in the consolidated financial statements and/or disclosures set out in these consolidated financial statements.

New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
IFRS 1 (Amendments)	Government Loans[2]
IFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[1]
IFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
IFRS 9	Financial Instruments[3]
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
IAS 19 (Revised 2011)	Employee Benefits[2]
IAS 27 (Revised 2011)	Separate Financial Statements[2]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2015
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 July 2012
[6] Effective for annual periods beginning on or after 1 January 2014

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Specifically, under IFRS 9, all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier adoption permitted.

The Directors anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2015. The directors are in the process of assessing the impact of the adoption of IFRS 9.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011) and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time. The Directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year ending 31 December 2013 and the potential impact is described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC12 *Consolidation — Special Purpose Entities*. IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios including scenarios. The Directors anticipate that the application of these five standards may not have significant impact on amounts reported in the consolidated financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may not have material impact on the amounts reported in the consolidated financial statements but may result in more extensive disclosures in the consolidated financial statements.

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

4. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of goods.

The Group's operations are organised based on the different types of goods sold. Specifically, 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 goods delivered. This is the basis upon which the Group is organised.

The following is an analysis of the Group's revenue and results by reportable and operating segments for the year under review. During the current year, two new operating segments are identified as, "Certified Emission Reduction ("CER")" and "dichloromethane, polyvinyl chloride ("PVC") and liquid alkali", which were previously included in the operating segment of "refrigerants". They are now reported separately to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. The corresponding items of segment information for the comparative year have been re-presented to conform with the current year's presentation.

Segment revenues and results

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

2011

	Refrigerants *RMB'000*	Polymers *RMB'000*	Organic silicone *RMB'000*	CER *RMB'000*	Dichloromethane PVC and Liquid alkali *RMB'000*	Reportable and operating segments' total *RMB'000*	Other operations *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
External sales	3,893,456	3,183,248	1,053,580	319,557	1,463,884	9,913,725	251,475	—	10,165,200
Inter-segment sales	1,663,735	—	12,749	—	55,043	1,731,527	345,008	(2,076,535)	—
Total revenue — segment revenue	5,557,191	3,183,248	1,066,329	319,557	1,518,927	11,645,252	596,483	(2,076,535)	10,165,200
SEGMENT RESULTS	1,703,481	1,305,819	(75,667)	250,706	191,887	3,376,226	39,812	—	3,416,038
Reconciliation of segment results to consolidated profit before tax for the year:									
Unallocated corporate expenses (net)									(124,129)
Finance costs									(150,277)
Share of result of an associate									(201)
Profit before tax									3,141,431

2010

	Refrigerants *RMB'000*	Polymers *RMB'000*	Organic silicone *RMB'00*	CER *RMB'000*	Dichloromethane PVC and Liquid alkali *RMB'0000*	Reportable and operating segments' total *RMB'000*	Other operations *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
External sales	2,396,941	1,413,337	544,803	38,188	1,387,966	5,781,235	183,087	—	5,964,322
Inter-segment sales	854,272	—	2,968	—	45,243	902,483	158,101	(1,060,584)	—
Total revenue — segment revenue	3,251,213	1,413,337	547,771	38,188	1,433,209	6,683,718	341,188	(1,060,584)	5,964,322
SEGMENT RESULTS	783,864	245,379	7,295	29,649	94,597	1,160,784	27,972	—	1,188,756
Reconciliation of segment results to consolidated profit before tax for the year:									
Unallocated corporate expenses (net)									(10,116)
Finance costs									(113,923)
Share of result of an associate									1,192
Profit before tax									1,065,909

Segment results represent the results of each segment without allocation of unallocated other income, central administration costs, directors' salaries, 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.

Entity-wide disclosures:

Information about revenue from refrigerants segment by products from external customers

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Monochlorodifluoromethan (HCFC-22)	**1,781,785**	1,257,642
Tetrafluoroethane (R134a)	**570,141**	335,902
Pentafluoroethane (R125)	**407,731**	192,027
R439A	**509,074**	177,355
R413A	**117,560**	80,792
R142b	**108,927**	68,731
R152a	**80,561**	48,823
Others	**317,677**	235,669
	3,893,456	2,396,941

Information about revenue from polymers segment by products from external customers

	2011	2010
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Polytetrafluoroethylene (PTFE)	**2,264,578**	1,017,063
Hexafluoropropylene (HFP)	**866,802**	319,045
Perfluoropropane	**38,382**	13,007
Tetrafluoroethylene (TFE)	**4,273**	44,823
Others	**9,213**	—
	3,183,248	1,413,337

Information about revenue from organic silicone segment by products from external customers

	2011	2010
	RMB'000	*RMB'000*
	(Audited)	(Audited)
DMC (Dimethylcyclosiloxane)	**467,119**	245,598
107 Silicone Rubber	**264,961**	110,895
Raw Vulcanizate	**133,858**	80,625
D3 (Hexamethylcyclotrisiloxane)	**12,012**	9,035
DMC Hydrolysate	**16,154**	6,354
Trimethylchlorosilane	**45,565**	13,684
Methyldichlorosilane	**18,034**	4,433
Dimethyldichlorosilane	**16,103**	11,288
Others	**79,774**	62,891
	1,053,580	544,803

Information about revenue from Dichloromethane, PVC and Liquid alkali by products segment from external customers

	2011	2010
	RMB'000	*RMB'000*
	(Audited)	(Audited)
PVC	**632,670**	765,616
Dichloromethane	**372,750**	306,432
Liquid alkali	**458,464**	315,918
	1,463,884	1,387,966

Information about revenue from other operations segment by products from external customers

	2011	2010
	RMB'000	*RMB'000*
	(Audited)	(Audited)
AHF (Anhydrous Fluoride)	**46,707**	66,703
Ammonium Bifluoride	**109,200**	79,288
Hydrofluoric Acid	**30,747**	19,142
Bromine	**23,249**	—
Others	**41,572**	17,954
	251,475	183,087

Information about major customers

There was no revenue from a single customer that contributed over 10% of the total sales of the Group during each of the two years ended 31 December 2011.

Geographical information

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

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
	(Audited)	(Audited)
The People's Republic of China (the "PRC")	**7,113,537**	4,343,872
Asia (except PRC)		
— Japan	**615,710**	301,122
— South Korea	**392,353**	199,691
— India	**29,131**	56,477
— Singapore	**50,197**	51,490
— Thailand	**61,510**	46,765
— Pakistan	**26,626**	24,118
— Malaysia	**41,219**	18,612
— other countries	**278,777**	49,829
Subtotal	**1,495,523**	748,104
America		
— United States of America	**516,518**	279,620
— Brazil	**129,913**	88,310
— Chile	**31,973**	15,406
— other countries	**23,581**	13,086
Subtotal	**701,985**	396,422
Europe		
— Italy	**333,667**	134,618
— Spain	**25,155**	22,378
— German	**64,435**	14,004
— France	**56,579**	11,019
— other countries	**248,600**	68,738
Subtotal	**728,436**	250,757
Africa		
— South Africa	**38,856**	41,141
— Egypt	**31,929**	15,198
— Nigeria	**22,030**	13,514
— other countries	**4,125**	10,946
Subtotal	**96,940**	80,799
Other countries/regions	**28,779**	144,368
	10,165,200	5,964,322

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

Other segment information (audited)

2011

	Refrigerants	Polymers	Organic silicone	CER	Dichloromethane, PVC and Liquid Alkali	Reportable and operating segments' total	Other operations	Total
	RMB'000	*RMB'000*	*RMB'00*	*RMB'000*	*RMB'0000*	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation of property, plant and equipment	**244,041**	**79,012**	**87,541**	**7,058**	**67,087**	**484,739**	**21,679**	**506,418**
Amortisation of intangible assets	**1,141**	**—**	**673**	**42**	**219**	**2,075**	**24**	**2,099**
Reversal of impairment on trade receivables	**(245)**	**—**	**—**	**(1)**	**(245)**	**(491)**	**(1)**	**(492)**
Research and development costs recognised as an expense	**1,528**	**6,083**	**1,791**	**—**	**—**	**9,402**	**201**	**9,603**
Write-down of inventories	**—**	**—**	**14,763**	**—**	**—**	**14,763**	**1,522**	**16,285**
Loss on disposals of property, plant and equipment	**27,752**	**21,977**	**—**	**1,143**	**4,311**	**55,183**	**841**	**56,024**
Release of prepaid lease payments	**2,956**	**282**	**2,008**	**77**	**512**	**5,835**	**2,040**	**7,875**

2010

	Refrigerants	Polymers	Organic silicone	CER	Dichloromethane, PVC and Liquid Alkali	Reportable and operating segments' total	Other operations	Total
	RMB'000	*RMB'000*	*RMB'00*	*RMB'000*	*RMB'0000*	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation of property, plant and equipment	237,683	66,821	49,387	1,219	76,633	431,743	14,331	446,074
Amortisation of intangible assets	1,961	—	673	14	507	3,155	41	3,196
Recognition of impairment on trade receivables	1,749	—	—	19	583	2,351	58	2,409
Research and development costs recognized as an expense	2,024	8,816	673	—	4	11,517	—	11,517
Reversal of write-down inventories	(683)	—	735	—	(176)	(124)	—	(124)
Loss on disposals of property,plant and equipment	9,269	3,991	—	40	2,228	15,528	741	16,269
Release of prepaid lease payments	6,143	290	2,008	14	667	9,122	433	9,555
Impairment losses recognised on property, plant and equipment	—	—	—	—	—	—	853	853

5. OTHER INCOME

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Government grants		
— related to expense items *(note)*	**12,731**	7,541
— related to assets	**13,814**	9,160
Interest income	**9,582**	10,707
Interest income on entrusted loans	**17,197**	998
Gain on fair value of interest in an associate	**—**	2,634
Gain on liquidation of subsidiary	**1,842**	—
Others	**10,892**	4,819
	66,058	35,859

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

6. FINANCE COSTS

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Interest on:		
Bank loans, overdrafts and other borrowings wholly repayable within five years	**140,986**	117,573
Other borrowings	**10,770**	8,718
Total borrowing costs	**151,756**	126,291
Less: amounts capitalised	**(1,479)**	(12,368)
	150,277	113,923

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a weighted average capitalisation rate of 6.08% (2010: 5.80%) per annum to expenditure on qualifying assets.

7. INCOME TAX EXPENSE

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
	(Audited)	(Audited)
PRC enterprise income tax		
— Current year	**(842,893)**	(260,416)
— Under overprovision in prior years	**(1,822)**	(7,150)
	(844,715)	(267,566)
Deferred tax charge	**(35,835)**	(16,846)
	(880,550)	(284,412)

The Company was incorporated in the Cayman Islands and is exempted from income tax and it is not subject to tax in any other jurisdictions.

8. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

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

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Short term employee benefits	**269,799**	174,775
Discretionary bonus (a)	**169,346**	125,817
Post-employment benefits	**49,615**	43,350
Equity-settled share-based payment expenses	**116,760**	4,082
Other staff welfare	**25,328**	12,995
Total staff costs (b)	**630,848**	361,019
Cost of inventories recognised as expenses	**5,619,843**	3,967,724
Depreciation of property, plant and equipment	**506,418**	446,074
Amortisation of intangible assets (included in cost of sales)	**2,099**	3,196
Auditor's remuneration	**2,409**	1,876
Net foreign exchange losses	**15,070**	3,148
(Reversal) recognition of impairment on trade receivables	**(492)**	2,409
Research and development costs recognised as an expense	**9,603**	11,517
Write-down (reversal) of inventories	**16,285**	(124)
Release of prepaid lease payments	**7,875**	9,555
Impairment losses recognised on property, plant and equipment	**—**	853
Loss on disposals of property, plant and equipment	**56,024**	16,269

Notes:

(a) Discretionary bonus is determined based on the individual performance of the individuals.

(b) Directors' emoluments are included in the above staff costs.

9. EARNINGS PER SHARE

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

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Earnings for the purposes of basic earnings and diluted earnings per share	**2,189,861**	733,869
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,110,240**	2,084,534
Effect of dilutive potential ordinary shares:		
Share options	**7,259**	1,785
Weighted average number of ordinary shares for purpose of diluted earnings per share	**2,117,499**	2,086,319

The computation of diluted earnings per share for the year ended 31 December 2011 does not assume the exercise of certain of the Company's outstanding share options as the exercise prices of those options are higher than the average market price of the shares for 2011.

10. DIVIDENDS

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Dividends paid during the year: 2010 final dividend HK$0.135 (2010: 2009 final dividend HK$0.035) per share	**235,697**	64,110

Final dividend of HK$0.400 per share, amounting to approximately HK$848,221,000 in respect of the year ended 31 December 2011 (2010: final dividend of HK$283,426,000 (HK$0.135 per share) in respect of the year ended 31 December 2010) has been proposed by the Directors and is subject to approval by the shareholders in general meeting.

11. TRADE AND OTHER RECEIVABLES

	31 December 2011 RMB'000 (Audited)	2010 RMB'000 (Audited)
Trade receivables	**1,316,164**	847,780
Less: allowance for doubtful debts	**(2,924)**	(3,416)
	1,313,240	844,364
Prepayment for raw materials	**123,813**	104,994
Value added tax receivables	**65,417**	48,073
Deposits, prepayment and other receivables	**14,264**	41,756
	1,516,734	1,039,187

Included in the trade receivables are bills receivables amounting to RMB1,122,200,000 at 31 December 2011 (31 December 2010: RMB682,830,000).

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 aged analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	31 December 2011 RMB'000 (Audited)	2010 RMB'000 (Audited)
Within 90 days	**816,100**	773,899
91 – 180 days	**491,342**	70,476
181 – 365 days	**6,272**	185
1 to 2 years	**2,450**	3,220
	1,316,164	847,780

Before accepting any new customer, the Group conducts research on the creditworthiness of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. 99% (2010: 99%) of the trade receivables that are neither past due nor impaired have the high ranking record attributable under the research on the creditworthiness. The Group offers various settlement terms which vary depending on the size of contract, credibility and reputation of the customers.

Included in the Group's trade receivable balance are debtors with the aggregate carrying amount of RMB6,545,000 (31 December 2010: RMB2,579,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral or credit enhancements over these balances.

	31 December	
	2011	2010
	RMB'000	*RMB'000*
	(Audited)	(Audited)
91 – 180 days	**6,102**	2,403
181 – 365 days	**405**	176
1 – 2 years	**38**	—
	6,545	2,579

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

Movement in the allowance for doubtful debts

	2011	2010
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Balance at beginning of the year	**3,416**	4,744
(Recovered) impairment losses recognised on receivables	**(492)**	2,409
Amounts written off as uncollectible	**—**	(3,737)
Balance at end of the year	**2,924**	3,416

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

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

	US$
	$'000
As at 31 December 2011	15,508
As at 31 December 2010	8,828

12. TRADE AND OTHER PAYABLES

	31 December	
	2011	2010
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Trade payables	**505,832**	386,011
Receipt in advance from customers	**71,147**	63,465
Payroll payable *(Note a)*	**368,613**	209,438
Payable for CDM project *(Note b)*	**102,219**	—
Payable for property, plant and equipments *(Note c)*	**149,855**	203,710
Other tax payables	**35,672**	38,555
Other payables and accruals	**77,465**	70,765
Total	**1,310,803**	971,944

Notes:

(a) As at 31 December 2011, included in the payroll payable is a provision for social insurance fund for employees of the PRC subsidiaries amounting to approximately RMB68,259,000 (31 December 2010: RMB68,739,000). The amount of the provision represents the Group's entire obligation for social insurance fund for employees of the PRC subsidiaries and is determined based on the relevant national regulations on social insurance and calculated based on the basic counting unit multiplied by the social insurance rate. The basic counting unit for social insurance shall be the average wages of an employee in the preceding year and shall not be less than the minimum limit promulgated by the local social insurance bureau each year.

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

(c) The payable for acquisition of property, plant and equipment will be settled three months after the complete installation of the plant and machinery which is recorded in the addition of construction in progress during the year.

Included in the trade payables are bills payables amounting to RMB9,700,000 at 31 December 2011 (2010: RMB28,500,000). Bills payables were secured by the Group's pledged bank deposits.

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

	31 December	
	2011	2010
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Within 30 days	**247,853**	269,366
31 – 90 days	**144,539**	67,872
91 – 180 days	**77,483**	19,866
181 – 365 days	**20,360**	5,792
1 – 2 years	**6,901**	15,399
More than 2 years	**8,696**	7,716
	505,832	386,011

Included in the trade payables is a trade payable to a non-controlling shareholder of a subsidiary amounting to approximately RMB2,164,000 (31 December 2010: RMB3,166,000) which are aged within 30 days. The general credit period given by them is three to six months.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2011, global economic outlook remained uncertain as the U.S. economic recovery process was vulnerable and turbulent, while the dark cloud of Europe's debt crisis still lingered and emerging economies saw a weakened momentum of growth. Though affected by the weak external demand and the tightening monetary policy, the PRC government advanced the adjustment of the economic structure and turned the direction of the macro-economic policy to be more active and healthy, thus maintaining a steady growth momentum.

The Group captured the opportunities afforded by the adjustment of the economic structure to actively expand the domestic and foreign market shares, and fully leveraged our technological innovations, brand recognition, strength in business scale and our integrated operations to ensure product quality. The Group also encouraged technological advancement and innovations.

2011 annual results were excellent with total production exceeding 2 million tonnes, representing a year-on-year growth of 28.45%. Revenue amounted to over RMB10 billion, representing a year-on-year increase of 70.43%, and making the Group the first enterprise with turnover of over RMB10 billion in the fluorosilica industry of China. The Group also recorded profit and total comprehensive income attributable to the Company's owners of RMB2,189,861,000, representing a year-on-year increase of 198.40%. Exports amounted to over RMB3 billion, representing a year-on-year increase of 88.32%, making the Group the enterprise with the largest export volume in the industry and in Zibo City, Shandong.

The new refrigerant developed by the Group has been widely used by various air-conditioner manufacturers across the country, and the ionic membrane of the Group has been used on six 10,000-tonnes chloralkali production devices, which laid a solid foundation for the industrialization, commercialization and efficiency enhancement of the technological achievements. In 2011, the research institute of the Group were granted 30 patents for the research and inventions, and applied for 22 patents. There were also breakthroughs in the research and development and application tests for fuel and battery membrane, solar cell packaging membrane, fluorine monomer synthesis, fluorochemical synthesis, amino silicone oil synthesis and perfluoroalkyl iodine compounds. In 2011, the Group carried out a total of 44 projects in relation to the technological revamp and comprehensive environmental protection. The technology upgrades has improved the production techniques, lowered the production cost as well as significantly increased the market competitiveness.

In 2011, the Group recorded revenue from exports of RMB3,051,663,000 and cooperated with large enterprises and distributors to achieve maximum market coverage, and built a strategic alliance for upstream and downstream industry chains to build up a strategic cooperation partnership. The Group's polymer business achieved the market share of more than 40% by stabilization and improvement of product quality, expansion into oversea markets, and active development of specialized material during the year. After the commencement of production of the Phase 2 of organic silicone production facilities and the enhancement of the production capacity through technological advancement, and with more effort put by the sales department on expanding the market for the Group's organic silicone business, the revenue recorded significant increase. As the internal production chain enterprise, the fluorosilica business of the Group recorded significant growth in revenues and selling price of liquid alkali, while ensuring the supply of raw material to the Group.

Chloralkali ionic membrane, the greatest technological achievement of the Group, was awarded the National Technological Invention Award and was selected as one of the "Eleventh Five-Year" national key scientific and technological achievements in "The Collection of Eleventh Five-Year" National Key Scientific and Technological Achievements" ("十一五"國家重大科技成果匯編). The Group's engineering and technology research team for the perfluorinated ionic membrane was awarded by the Ministry of Science and Technology the "Outstanding Team Award for the implementation of National Science and Technology Program of the Eleventh Five-Year" ("十一五國家科技計劃執行優秀團隊獎").

FUTURE PROSPECTS

The coming year, being the 25th anniversary of the Group, will be a year of opportunities and challenges. The Group will maintain a stable operation, put effort on its scientific innovation and technological advancement, and focus on breakthroughs in key technologies, the development of new products, and growing and attracting high-end talents. In order to increase the market shares in the industry, the Group will take the following measures:

- *To Expand New Market by Working on the Development of New Product and Quality Innovation in 2012.*

  The Group will carry out thorough market research and analysis to identify new demands in the market and expand the new markets and new businesses. For the refrigerant business, we will concentrate on alternative products and the development of such new usages as vesicant, aerosol and extinguishing agent. For the polymer business, we will focus on the development of new varieties, new qualities, specialized material and fine chemicals. For the organic silicone business, we will focus on the processing of downstream products and the development of product chain, development of more industry-leading new technologies and products and increase its investment in technologies.

- *To Reduce Costs by Working on Improvement in Process and Technology and Management Innovation in 2012.*

  The Group will continue to focus on technological innovation, energy saving and environmental protection projects. Efforts will be put on creating the most advanced technologies and the lowest consumption of energy in the industry, promoting management innovation, in particular the implementation of a comprehensive budget management, and developing a new model of procurement management.

- *To Increase Market Shares by Working on Marketing and Brand Innovation in 2012.*

  In 2012, the Group will continue to implement the concept of "expanding the market with product quality and retaining the clients with marketing services". We will establish strategic alliances with large and quality customers, providing them with better products and services, to be the best supplier in the industry. At the same time, we will focus on identifying to-be developed markets and the exploration of the potential in the secondary and tertiary markets. We will continue to value the growth of Dongyue's brand and work on coordination of the industry to achieve a healthy and sustainable industry development.

- *To Meet our Goal in the Integration of the Resources by Careful Capital Utilization and External Cooperation.*

  The Group will integrate all resources for brand building to cater for the market. With the careful capital utilization and external cooperation, especially the ancillary raw materials outside the industry chain as well as the deep processing of the products.

  In October 2011, the Group signed agreements to acquire exploration right of a nickel mine and an iron and fluorspar mine ("the Mines") in Inner Mongolia, the PRC at a total consideration of RMB80 million. Subject to fulfillment of certain conditions including approval by the relevant government authorities, completion of the acquisition is expected to take place in or around April 2012. The acquisition of the Mines, which occupy a total area of approximately 67.90 square miles, enables the Group to explore fluorspar and other relevant mineral resources that represent the Group's major raw materials supply. The acquisition is in line with the Group's strategy to strengthen its vertical integration by expanding into upstream production value chain of the Group. The acquisition can provide the Group with an opportunity to ensure reliable supply of fluorspar with good quality, which leads to lower production cost and higher operating margin.

FINANCIAL REVIEW

Results Highlights

For the year ended 31 December 2011, the Group recorded revenue of approximately RMB10,165,200,000, representing an increase of 70.43% over RMB5,964,322,000 of last year. The gross profit margin increased to 39.73% (2010: 27.56%) and the consolidated segment results margin* was 33.61% (2010: 19.93%). The operating results margin was 32.38% (2010: 19.76%). Should the CER segment and expenses on share options granted to the employees and the Directors be excluded, the operating results margin of the Group was 32.07% (2010: 19.46%). During the year under review, the Group recorded profit before tax of approximately RMB3,141,431,000, representing a substantial increase of 194.72% compared to RMB1,065,909,000 recorded last year, and consolidated profit attributable to the Company's owners was approximately RMB2,189,861,000 (2010: RMB733,869,000), representing a significant increase of 198.40% compared to that of last year. Basic earnings per share were RMB1.04 (2010: RMB0.35). The board of Directors of the Company recommended the payment of a final dividend for 2011 of HK$0.400 (2010: HK$0.135) per share to the shareholders whose names appear on the register of members of the Company on 23 May 2012. The expected date for payment of such dividend is 14 June 2012.

* Consolidated Segment Results ÷ Revenue x 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 year ended 31 December 2011 and the year ended 31 December 2010:

	For the year ended 31 December 2011			For the year ended 31 December 2010 *(Note)*		
Reportable and Operating Segments	**Revenue**	**Results**	**Segment Results Margin**	Revenue	Results	Segment Results Margin
	(RMB'000)	***(RMB'000)***	***(%)***	*(RMB'000)*	*(RMB'000)*	*(%)*
Refrigerants	**5,557,191**	**1,703,481**	**30.65**	3,251,213	783,864	24.11
Polymers	**3,183,248**	**1,305,819**	**41.02**	1,413,337	245,379	17.36
Organic silicone	**1,066,329**	**(75,667)**	**(7.10)**	547,771	7,295	1.33
CER	**319,557**	**250,706**	**78.45**	38,188	29,649	77.64
Dichloromethane, PVC and Liquid alkali	**1,518,927**	**191,887**	**12.63**	1,433,209	94,597	6.60
Others	**596,483**	**39,812**	**6.67**	341,188	27,972	8.20
	12,241,735	**3,416,038**	**27.90**	7,024,906	1,188,756	16.92
Less: Inter-segment sales	**(2,076,535)**	**—**	**—**	(1,060,584)	—	—
Consolidated	**10,165,200**	**3,416,038**	**33.61**	5,964,322	1,188,756	19.93

Note: Certain comparative figures have been re-presented in order to conform with the current year's new segmental reporting.

Analysis of Revenue and Segment Results

With the strong domestic and international demand for the Group's products coupling with and the rise in their prices and the improvement on marginal profit, the revenue and the segment results of the Group saw a year-on-year increase with the double-digital growth in all reportable and operating segments except the segment results of the organic silicone. During the year ended 31 December 2011, capitalizing on our low-cost raw material and its fully vertically-integrated production chain, we believe that our core competitive edge will provide a strong support for the Group's future development, further reinforcing our leading position in fluorosilica chemical industry.

Refrigerants

During the year under review, the refrigerants segment remained to be the largest contributor to the revenue of the Group, the revenue of which increased by 70.93% to RMB5,557,191,000 compared to that for the corresponding period of last year, accounting for approximately 38.30% of the Group's revenue (excluding inter-segment sales) (2010: 40.19%). The segment mainly includes the revenue from the production and sales of traditional and environmental-friendly refrigerant products (R22, R439a, R134a, R32, R152a, R142b, R125 and so forth). As compared to the corresponding period of 2010, there showed a generally significant increase in both sales volume and selling price of the Group's refrigerants products, thanks to the favourable industry environment and the expansion of the Group's refrigerants products (50,000 tonnes per annum R22 new capacity and 5,000 tonnes per annum R125 new capacity commencing operations during 2011). Being the largest refrigerants products of the Group, R22 is the most widely used refrigerant in the PRC and is generally used for air-conditioning and refrigeration purposes. In addition, it has been one of the key raw materials for the production of fluoropolymers and other environmental-friendly refrigerants. Its keen domestic and international demand as refrigerants and raw materials and the supply storage have been driving up its prices very significantly. R134a is a type of refrigerant which is mainly used in automobile air conditioning systems in the PRC. As a result of its booming demand, its price was increased on a year-on-year basis which led to the increase in the revenue arising from its sales.

In the world to date, the principal replacements for the refrigerant R22 are R439a (independently developed by the Group) and R410a and their Ozone Depletion Potential (ODP) are both 0, which have already seen them being widely applied and used on many occasions in the PRC. For this reason, many household equipment producers tended to strongly demand R439a from the Group for their new environmental-friendly household appliances. As for R125, it is one of the key ingredients of the above-mentioned environmental-friendly refrigerants. With the on-going global awareness of environmental protection, the demand for the green refrigerants become more and more immense, leading to robust demand growth for R125, which the Group can be able to capture by increasing new capacity of 5,000 tonnes per annum during the year.

The results of the refrigerants segment contributed 49.87% (2010: 65.94%) of the total segment results of the Group, while its segment results margin was 30.65%, compared with 24.11% of last year. In 2011, as a result of the continued market recovery, the average prices of all the Group's refrigerants products rose significantly on a year-to-year basis. Notwithstanding the fact that the raw materials (fluorite, anhydrous fluoride, methane chloride, sulfuric acid, methanol, trichloroethylene, etc.) cost increased substantially, with the Group's fully vertically-integrated production value chain and high self-sufficiency ratio for the key raw materials, the Group can be able to improve its operating results margins substantially.

Polymers

The revenue of the polymers segment increased by 125.23% to RMB3,183,248,000, accounting for approximately 31.32% (2010: 23.70%) of the total revenue of the Group for the year. The segment mainly includes the revenue from the production and sales of PTFE (a kind of fluoropolymer with high chemical stability, high and low temperature resistant, ageing resistant, chemical resistant, good insulation properties, which have been widely applied in the chemicals, construction, electrical and electronics and automotive industries), HFP (an organic fluorochemical monomer, which can be used to produce various fine chemicals) and downstream high performance PTFE chemicals (such as aqueous dispersion rubber and concentrates).The improvement and upgrade of the Group's technologies helped optimize the quality of our products. PTFE and polymer products demonstrated remarkable price and sales volume surges, leading to a substantial jump in the sales revenue of this business segment. Meanwhile, the surge in the revenue coming from the sales of HFP and the launch of the new PTFE products as well as downstream high-performance PTFE chemicals also contributed to the growth in revenue of this business segment.

The polymers segment contributed approximately 38.23% (2010: 20.64%) to the total segment results of the Group, while its segment results margin increased significantly to 41.02% from 17.36% of last year. With the surge of selling price of polymer products, the Group's maintenance on nearly 100% self-sufficiency ratios for the key raw materials in this business segment, and our stringent control over the operating costs and the production and recycling processes, we saw a substantial enhancement of the operating efficiency and minimization of the wastage ratios.

Organic Silicone

The revenue coming from the organic silicone business segment increased by 94.67% to RMB1,066,329,000, accounting for 10.36% of the revenue of the Group for the year under review (2010: 9.13%) (excluding inter-segment sales). The segment mainly includes the revenue from the production and sales of DMC (organic silicone intermediates that are used as raw materials to produce further proceeded silicone products), and further proceeded silicone products (silicone oils, silicone rubber, silicone resins). Organic silicone is widely used in military, aviation, automotive, electronic, construction and other industries, mainly in the form of additives, treatment chemicals, stabilizers, lubricants and sealants and are an important ingredient in industrial processes. The Group's proactive efforts on expansion of the organic silicone business during the year, the completion of the expansion project regarding 100,000 tonnes per annum of organic silicone monomer, the associated technological upgrading project which led to an increase of total organic silicone monomer capacity to 180,000 tonnes per annum and the 20,000 tonnes per annum of the raw vulcanizate have all led to the substantial growth in the revenue of this business segment.

Notwithstanding the operation of this segment becoming much more scalable and the increase in the selling prices of DMC during the year, the positive impact arising therefrom has been more than offset by the negative impact arising from the soaring material and operating costs. In addition, the issues such as the excessive supply, and the technology bottleneck and constraint in the domestic organic silicone industry has not been solved during the year under review, resulting in operating loss for the organic silicone business segment recorded for the year under review.

CER

The segment includes the revenue from the CDM project (the "CER revenue") registered under United Nations Framework Convention on Climate Change ("UNFCCC"), whereby the Group decomposes HFC23 (greenhouse gas) generated from the Group's production process of refrigerants in order to reduce HFC23 emission and to obtain tradable carbon units endorsed by UNFCCC.

In 2010, there appeared political obstacles over the approval of the CER revenue by UNFCCC. However, such obstacles have been cleared off and the related verification, submission and approval processes and procedures have returned to normal status. During the current year under review, a total amount of RMB319,557,000 (2010: RMB38,188,000) was recorded by the Group as the CER revenue in respect of the Group's reduction in HFC23 emission for the whole year of 2010 and the first quarter of 2011, which have been confirmed and endorsed by UNFCCC.

Dichloromethane, PVC and Liquid Alkali

The segment includes the revenue from the production and sales of the side products of the refrigerants segment (dichloromethane, PVC and liquid alkali). During the year under review, the revenue for this segment recorded a year-on-year increase by 5.98% to RMB1,518,927,000, accounting for approximately 14.40% (excluding inter-segment sale) of the Group's revenue for the whole year in 2011. Thanks to the continued recovery of the domestic economy in the PRC, the sales of dichloromethane (colorless liquid mainly used as reaction media in the pharmaceutical industry) and liquid alkali (a fundamental chemical raw material widely used in the textile, agriculture, construction materials, power generation, electronics and metallurgical industries) all recorded substantial growth in amount and volume. The 60,000-tonne annual production capacity methane chloride expansion project also contributed to such revenues.

The segment results of the dichloromethane, PVC and liquid alkali contributed 5.62% (2010: 7.96%) of the total segment results of the Group, while its segment results margin was 12.63% (2010: 6.60%). In 2011, despite the increase in the raw material costs, the rise in selling prices of these products sufficiently mitigated the negative impact therefrom, and thus there showed improved segment results margin for this segment.

Distribution and Selling Expenses

During the year, the distribution and selling expenses increased by 23.69% to RMB211,849,000 from RMB171,279,000 for last year. The increase was mainly attributable to the increase in the transportation expenses as a result of the increase in the sales revenue.

Administrative Expenses

During the year, the administrative expenses increased by 82.22% to RMB600,587,000 from RMB329,592,000 for last year. The increase was mainly attributable to the increase in the payroll expenses, including the expenses on share options granted to the employees and the Directors.

Finance Costs

During the year, the finance costs increased by 31.91% to RMB150,277,000 from RMB113,923,000 for last year. This was mainly due to the increase in the borrowing interest rates in the PRC.

Capital Expenditure

For the year ended 31 December 2011, the Group's capital expenditure was approximately RMB1,246,411,000 (for the year ended 31 December 2010: RMB1,019,416,000), which was mainly used in the acquisition of fixed assets including equipment and facilities for the Group's expansion projects in the segments of refrigerants, polymers and organic silicone.

Liquidity and Financial Resources

The Group's financial position is sound with healthy working capital management and strong operating cash flow. As at 31 December 2011, the Group's total equity amounted to RMB5,075,296,000, representing an increase of 77.05% compared with that as at 31 December 2010. As at 31 December 2011, the Group's bank balances and cash totaled RMB1,509,280,000 (31 December 2010: RMB594,621,000). During the year under review, the Group generated a total of RMB2,789,954,000 (for the year ended 31 December 2010: RMB549,081,000) cash inflow from its operating activities. The current ratio(1) of the Group as at 31 December 2011 was 1.70 (31 December 2010: 0.92).

Taking the above figures into account, together with available balance of bank balances and cash, the unutilized banking credit facilities and its support from its bankers as well as its strong 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

On 24 June and 26 August 2011, the Company issued and allotted 20,875,625 and 226,909 new shares respectively at HK$2.16 per share as a result of the exercise of the Pre-IPO share options. After the issuance, as at 31 December 2011, the number of issued shares of the Company increased to 2,120,552,455.

Save as disclosed above, there had been no change in the share capital of the Company during the year under review.

As at 31 December 2011, the borrowings of the Group totaled RMB2,271,086,000 (31 December 2010: RMB2,732,944,000).

The gearing ratio(2) of the Group was 13.05% (31 December 2010: 42.72%).

The Group had no particular seasonal pattern of borrowing. As at 31 December 2011, the Group's borrowings comprised non-current portion (over 1 year) and current portion (within 1 year). The non-current portion of borrowings amounted to approximately RMB1,376,508,000, which are wholly repayable after one year but not exceeding five years. The current portion of borrowings amounted approximately to RMB894,578,000. The Group's borrowings were made at fixed interest rates and floating rates. The weighted average effective interest rates on floating rate borrowings and fixed rate borrowings for the year ended 31 December 2011 were 5.94% (2010: 4.90%) and 6.50% (2010: 5.38%) per annum, respectively. As at 31 December 2011, 5% (31 December 2010: 39%) of the Group's borrowings bear fixed interest rates.

As at 31 December 2011, the Group's borrowings were denominated in Renminbi and US dollars, amounting to approximately RMB2,092,860,000 and approximately US$28,125,000 (equivalent to approximately RMB178,226,000) respectively.

Group Structure

During the year under review, Shandong Dongyue Chemicals Co. Ltd. ("Dongyue Chemicals"), a wholly-owned subsidiary of the Company, established Shandong Dongyue Union Property Co., Ltd. ("Dongyue Property"). Dongyue Property, in which Dongyue Chemicals owned 100% equity interests, is a company established in the PRC for the establishment of a research and development centre with focus on research and development of, among other things, ionic membrane and functional membrane. Furthermore, Donygue Chemicals established Shandong Dongyue Wen He Fluorine Materials Co., Ltd. ("Dongyue Wen He"), a 51% owned company and Inner Mongolia Dongyue Fluorine Materials Co., Ltd. ("Inner Mongolia Dongyue"), an 100% owned company in the PRC. The principal activity of Dongyue Wen He is to manufacture anhydrous fluoride for internal consumption with an annual production capacity of 15,000 tonnes. Dongyue Wen He commenced operations in June 2011. The principal activities of Inner Mongolia Dongyue are to manufacture such fluoride products as anhydrous fluoride and hydrofluoric acid, mine and process fluorspar, silica and other mineral products. During the year under review, Inner Mongolia Dongyue has not commenced production.

In addition, two subsidiaries of the Company, Guangdong Dongyue Fluorine Chemicals Co., Ltd. and Shandong Dongyue Silicone Rubber Co. Ltd., were dissolved into liquidation.

Save as disclosed above, during the year under review, there has been no change in the structure of the Group.

Charge on Assets

As at 31 December 2011, the Group had certain property, plant and equipment and lease prepayments with an aggregate carrying value of approximately RMB1,540,769,000 (31 December 2010: RMB840,126,000), and bank deposits of RMB4,340,000 (31 December 2010: RMB15,938,000), which were pledged to secure the Group's borrowings and the bills payables of the Group.

Exposure to Fluctuations in Exchange Rates and Related Hedges

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

The Group enters into forward contracts with a commercial bank for managing certain risks arising from foreign currency transactions. In order to reduce the risk of holding foreign currencies, the Group normally converts the foreign currencies into RMB upon receipt while taking into account its foreign currencies payment schedule in the near future.

Employees and Emolument Policy

The Group employed 5,495 employees in total (31 December 2010: 4,696) as at 31 December 2011. The Group implemented its remuneration policy, bonus and share option schemes based on the performance of the Group and its employees. The Group provided benefits such as medical insurance and pensions to ensure competitiveness.

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

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

OTHER INFORMATION

Final Dividend

The Directors recommend the payment of a final dividend of HK$0.400 (the "Final Dividend") (2010: HK$0.135) per share in respect of the year 2011, to the shareholders whose names appear on the register of members of the Company (the "Register") on 23 May 2012, subject to the approval of the members of the Company at the Company's annual general meeting (the "AGM"). The final dividend is after excluding the applicable PRC income tax.

The AGM of the Company will be held on 18 May 2012. A notice of the AGM will be published and dispatched to the shareholders of the Company in due course.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2011.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the HKSE (the "Listing Rules"). The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year ended 31 December 2011 and all Directors confirmed that they have fully complied with the relevant requirements set out in the Model Code during the year.

Audit Committee

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

The Audit Committee met with the management on 18 March 2012, to review the accounting standards and practices adopted by the Group and to discuss matters regarding internal control and financial reporting including the review of the Group's annual results for the year ended 31 December 2011 before proposing them to the Board of Directors (the "Board") for approval.

Remuneration Committee

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

Compliance with the Code on Corporate Governance Practices

Throughout the year ended 31 December 2011, save as disclosed below, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules.

Code Provision A.2.1

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

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

During the year ended 31 December 2011, the HKSE has made revision to the Code ("the Revised Code") which becomes effective from 1 April 2012. The Board has completed the review of the Revised Code. In order to continue to maintain high standard of corporate governance, the Board ensures that, taking into account the prevailing standards adopted by the Company and its own circumstances, the Company would comply with the requirements as stipulated under the Revised Code starting from the next financial year ending 31 December 2012, by making the necessary disclosure, modification to the various procedures and documentation.

ANNOUNCEMENT OF ANNUAL RESULTS AND PUBLICATION OF ANNUAL REPORT

This final results announcement is published on the Company's website at www.dongyuechem.com and the website of the HKSE at www.hkexnews.hk. The Annual Report will also be available at the websites of the Company and the HKSE and will be dispatched to shareholders of the Company in April 2012.

(II) Closure of Register of Members

The Board announces that the Register will be closed from 16 May to 18 May 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 15 May 2012.

The Board further announces that the Register will be closed from 24 May to 28 May 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the Final Dividend, all share transfers, accompanied by the relevant share certificates, must be lodged with Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 23 May 2012.

The expected date for payment of the Final Dividend is 14 June 2012.

(III) Formation of Nomination Committee

The Board further announces that in order to comply with the Revised Code, a nomination committee (the "Nomination Committee") was established by the Board with written terms of reference with effect from 18 March 2012. Mr. Zhang Jianhong was appointed as the chairman of the Nomination Committee and Mr. Liu Yi and Mr. Ting Leung Huel, Stephen were appointed as the members of the Nomination Committee.

By Order of the Board
Dongyue Group Limited
Zhang Jianhong
Chairman

The PRC, 18 March 2012

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