DONGYUE GROUP LIMITED
東岳集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 189)

(I) ANNOUNCEMENT OF ANNUAL RESULTS FOR 2012; (II) CLOSURE OF REGISTER OF MEMBERS; AND (III) FORMATION OF CORPORATE GOVERNANCE COMMITTEE

FINANCIAL HIGHLIGHTS

(in RMB million, unless otherwise stated)

	Financial Year ended 31 December	
	2012	2011
Revenue	**7,051**	10,165
Gross Profit	**1,683**	4,038
Gross Profit Margin	**23.88%**	39.73%
Profit before Tax	**1,055**	3,141
Profit and Total Comprehensive Income	**707**	2,261
Profit and Total Comprehensive Income attributable to the Shareholders	**713**	2,190
Basic Earnings per Share (RMB)	**0.34**	1.04
Final Dividend per Share (HK$)	**0.13**	0.40

	As at	
	31 December 2012	31 December 2011
Total Equity	**5,227**	5,075
Net Assets per Share (RMB)	**2.46**	2.39

(I) Announcement of Annual Results for 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	**2012** *RMB'000* **(Audited)**	2011 *RMB'000* (Audited)
Revenue	*4*	**7,050,822**	10,165,200
Cost of sales		**(5,367,436)**	(6,126,913)
Gross profit		**1,683,386**	4,038,287
Other income	*5*	**117,817**	66,058
Distribution and selling expenses		**(209,912)**	(211,849)
Administrative expenses		**(367,203)**	(590,984)
Research and development expenses		**(33,764)**	(9,603)
Finance costs	*6*	**(136,076)**	(150,277)
Share of result of an associate		**324**	(201)
Profit before tax		**1,054,572**	3,141,431
Income tax expense	*7*	**(347,509)**	(880,550)
Profit and total comprehensive income for the year	*8*	**707,063**	2,260,881
Profit and total comprehensive income attributable to:			
Owners of the Company		**713,056**	2,189,861
Non-controlling interests		**(5,993)**	71,020
		707,063	2,260,881
		RMB	*RMB*
Earnings per share	*9*		
– basic		**0.34**	1.04
– diluted		**0.34**	1.03

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	**2012** *RMB'000* **(Audited)**	2011 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**4,121,444**	4,093,261
Prepayment for purchase of property, plant and equipment		**48,488**	75,959
Prepayment for land lease		**495**	5,501
Prepaid lease payments		**379,533**	638,597
Intangible assets		**84,475**	1,253
Interest in an associate		**1,593**	779
Available-for-sale investments		**118,178**	80,506
Deferred tax assets		**116,221**	132,308
Goodwill		**1,354**	1,354
		4,871,781	5,029,518
Current assets			
Inventories		**524,926**	648,656
Properties under development for sale		**372,884**	–
Prepaid lease payments		**10,909**	17,404
Trade and other receivables	*11*	**894,191**	1,516,734
Entrusted loans		**400,000**	403,000
Pledged bank deposits		**20,570**	4,340
Bank balances and cash		**1,682,728**	1,509,280
		3,906,208	4,099,414
Current liabilities			
Trade and other payables	*12*	**1,325,490**	1,310,803
Borrowings		**774,302**	894,578
Tax liabilities		**63,063**	196,638
Deferred income		**8,256**	7,215
		2,171,111	2,409,234
Net current assets		**1,735,097**	1,690,180
Total assets less current liabilities		**6,606,878**	6,719,698

	2012	2011
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Capital and reserves		
Share capital	**201,111**	201,111
Reserves	**4,747,204**	4,581,977
Equity attributable to the owners of the Company	**4,948,315**	4,783,088
Non-controlling interests	**278,543**	292,208
Total equity	**5,226,858**	5,075,296
Non-current liabilities		
Deferred income	**199,613**	168,029
Deferred tax liabilities	**42,611**	99,865
Borrowings	**1,137,796**	1,376,508
	1,380,020	1,644,402
	6,606,878	6,719,698

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	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 2011 (audited)	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 (audited)	201,111	1,238,838	127,778	(32,210)	101,098	497,046	2,649,427	4,783,088	292,208	5,075,296
Profit and total comprehensive income for the year	–	–	–	–	–	–	713,056	713,056	(5,993)	707,063
Transfer	–	–	–	–	–	130,093	(130,093)	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	9,800	9,800
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(17,472)	(17,472)
Dividends paid	–	–	–	–	–	–	(690,876)	(690,876)	–	(690,876)
Recognition of equity-settled share-based payments	–	–	143,047	–	–	–	–	143,047	–	143,047
Balance at 31 December 2012 (audited)	201,111	1,238,838	270,825	(32,210)	101,098	627,139	2,541,514	4,948,315	278,543	5,226,858

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012	2011
	RMB'000	*RMB'000*
	(Audited)	(Audited)
OPERATING ACTIVITIES		
Profit before tax	**1,054,572**	3,141,431
Adjustments for:		
Finance costs	**136,076**	150,277
Interest income	**(95,985)**	(26,779)
Realisation of deferred income	**(8,256)**	(13,814)
Recognition (reversal) of impairment on trade receivables	**5,380**	(492)
Reversal of impairment on other receivables	**(1,342)**	–
Depreciation and amortisation	**556,027**	508,517
Release of prepaid lease payments	**9,193**	7,875
Equity-settled share-based payment expenses	**143,047**	116,760
Write down of inventories	**4,041**	16,285
Share of result of an associate	**(324)**	201
Gain on liquidation of subsidiary	**–**	(1,842)
Dividend income from available-for-sale investments	**(2,848)**	(2,530)
Loss on disposals of property, plant and equipment	**17,908**	56,024
Operating cash flows before movements in working capital	**1,817,489**	3,951,913
Decrease (increase) in inventories	**119,689**	(171,516)
Increase in properties under development for sale	**(14,470)**	–
Decrease (increase) in trade and other receivables	**618,505**	(488,505)
Increase in trade and other payables	**15,483**	404,555
Increase in deferred income	**40,881**	4,490
Cash generated from operations	**2,597,577**	3,700,937
Income tax and withholding tax paid	**(522,251)**	(767,174)
NET CASH FROM OPERATING ACTIVITIES	**2,075,326**	2,933,763

	2012	2011
	RMB'000	*RMB'000*
	(Audited)	(Audited)
INVESTING ACTIVITIES		
Entrusted loans to third parties	**(700,000)**	(328,000)
Purchase of property, plant and equipment	**(577,414)**	(859,566)
Payment for prepaid land lease	**(97,042)**	(24,908)
Purchase of intangible assets	**(83,761)**	–
Purchase of available-for-sale investments	**(37,672)**	(42,779)
Placement of pledged bank deposits	**(25,463)**	(12,786)
Capital contribution to an associate	**(490)**	(980)
Repayment of entrusted loans from third parties	**703,000**	–
Interest received	**97,099**	26,779
Proceeds from release of pledged bank deposits	**9,233**	24,384
Proceeds from disposals of property, plant and equipment	**1,927**	11,741
Dividend income from available-for-sale investments	**2,848**	2,530
NET CASH USED IN INVESTING ACTIVITIES	**(707,735)**	(1,203,585)
FINANCING ACTIVITIES		
Repayment of borrowings	**(1,163,988)**	(1,732,358)
Dividend paid	**(690,876)**	(235,697)
Interest paid	**(136,607)**	(146,339)
Dividends paid to non-controlling interests	**(17,472)**	(23,955)
Proceeds from borrowings	**805,000**	1,270,500
Capital contribution from non-controlling interests	**9,800**	14,432
Net proceeds from issuance of shares through exercise of share options	**–**	37,898
NET CASH USED IN FINANCING ACTIVITIES	**(1,194,143)**	(815,519)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**173,448**	914,659
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**1,509,280**	594,621
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
represented by:		
Bank balances and cash	**1,682,728**	1,509,280

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. Its immediate holding company is Macro-Link International Investment Co., Ltd. which in turn is owned by Macro-Link Sdn. Bhd., a company in which Mr. Fu Kwan owns a 45% interest.

The Company and its subsidiaries (collectively referred to as 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 emissions.

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 ("IFRSs"). 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.

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 Amendments applied in the current year

In the current year, the Group has applied the following new and revised amendments to IFRSs issued by the International Accounting Standards Board.

Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to IFRS 7	Financial Instruments: Disclosures - Transfers of Financial Assets

The application of the amendments to 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 the consolidated financial statements.

New and revised Standards, Interpretations and Amendments 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:

Amendments to IFRSs	Annual Improvements to IFRSs 2009 – 2011 Cycle[1]
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IFRS 9 and HKFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[2]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 19 (as revised in 2011)	Employee Benefits[1]
IAS 27 (as revised in 2011)	Separate Financial Statements[1]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[2]
IFRIC-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 July 2012.

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 beginning on 1 January 2015 and that the application of IFRS 9 might have impact on amounts reported in respect of the Group's available-for-sale investments but no impact on amounts reported in respect of the Group's financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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 beginning on 1 January 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 the Group for the annual period beginning on 1 January 2013, with earlier application permitted.

The Directors anticipate that the application of the new standard is unlikely to have material impact on the amounts reported in the consolidated financial statements but may result in more extensive disclosures in the consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 retain the option to present consolidated income statement and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive are grouped into two categories: (a) items that will not be reclassified subsequently to profit and loss, and (b) items that may be reclassified subsequently to profit and loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to IAS 1 are effective for the Group for annual period beginning on 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The Directors of the Company anticipate that the application of the other new and revised IFRSs will have no material impact on the results and financial position of the Group.

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.

Segment revenues and results

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

2012

	Refrigerants	Polymers	Organic silicone	Certified Emission Reduction ("CER")	Dichloromethane, Polyvinyl Chloride ("PVC") and Liquid Alkali	Reportable segments' total	Other operations	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
External sales	2,319,819	1,944,666	1,346,470	184,697	1,111,246	6,906,898	143,924	–	7,050,822
Inter-segment sales	1,351,502	–	4,808	–	53,355	1,409,665	414,064	(1,823,729)	–
Total revenue – segment revenue	3,671,321	1,944,666	1,351,278	184,697	1,164,601	8,316,563	557,988	(1,823,729)	7,050,822
SEGMENT RESULTS	296,270	856,118	(22,848)	135,524	92,003	1,357,067	(9,669)	–	1,347,398
Unallocated corporate expenses									(159,922)
Unallocated other income									2,848
Finance costs									(136,076)
Share of result of an associate									324
Profit before tax									1,054,572

2011

	Refrigerants *RMB'000*	Polymers *RMB'000*	Organic silicone *RMB'000*	CER *RMB'000*	Dichloromethane, PVC and Liquid Alkali *RMB'000*	Reportable 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
Unallocated corporate expenses									(128,501)
Unallocated other income									2,530
Gain on liquidation of a subsidiary									1,842
Finance costs									(150,277)
Share of result of an associate									(201)
Profit before tax									3,141,431

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	
	2012	2011
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Monochlorodifluoromethan (HCFC-22)	**1,062,085**	1,781,785
Tetrafluoroethane (R134a)	**392,617**	570,141
Pentafluoroethane (R125)	**157,017**	407,731
R439A	**85,500**	509,074
R410a	**91,013**	–
R413A	**55,124**	117,560
R142b	**129,207**	108,927
R152a	**76,796**	80,561
Others	**270,460**	317,677
	2,319,819	3,893,456

Information about revenue from polymers segment by products from external customers

	2012	2011
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Polytetrafluoroethylene (PTFE)	**1,451,166**	2,264,578
Hexafluoropropylene (HFP)	**455,908**	866,802
Perfluorocyclobutane	**34,000**	38,382
Others	**3,592**	13,486
	1,944,666	3,183,248

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

	2012	2011
	RMB'000	*RMB'000*
	(Audited)	(Audited)
DMC (Dimethylcyclosiloxane)	**577,490**	467,119
107 Silicone Rubber	**272,377**	264,961
Raw Vulcanizate	**137,457**	133,858
D3 (Hexamethylcyclotrisiloxane)	**18,517**	12,012
Gross Rubber	**37,030**	6,943
Gaseous Silica	**46,760**	5,448
DMC Hydrolysate	**62,406**	16,154
Trimethylchlorosilane	**80,092**	45,565
Methyldichlorosilane	**28,713**	18,034
Others	**85,628**	83,486
	1,346,470	1,053,580

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

	2012	2011
	RMB'000	*RMB'000*
	(Audited)	(Audited)
PVC	**495,236**	632,670
Dichloromethane	**216,823**	372,750
Liquid alkali	**399,187**	458,464
	1,111,246	1,463,884

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

	2012	2011
	RMB'000	*RMB'000*
	(Audited)	(Audited)
AHF (Anhydrous Fluoride)	**5,100**	46,707
Ammonium Bifluoride	**62,410**	109,200
Hydrofluoric Acid	**20,994**	30,747
Bromine	**16,893**	23,249
Others	**38,527**	41,572
	143,924	251,475

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 2012.

Geographical information

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

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
	(Audited)	(Audited)
The People's Republic of China (the "PRC")	**5,135,697**	7,113,537
Asia (except PRC)		
– Japan	**334,727**	615,710
– South Korea	**233,892**	392,353
– India	**22,080**	29,131
– Singapore	**49,133**	50,197
– Thailand	**64,763**	61,510
– United Arab Emirates	**34,157**	70,694
– Pakistan	**18,645**	26,626
– Malaysia	**30,793**	41,219
– other countries	**197,952**	208,083
Subtotal	**986,142**	1,495,523
America		
– United States of America	**276,343**	516,518
– Brazil	**129,109**	129,913
– Chile	**12,372**	31,973
– other countries	**19,020**	23,581
Subtotal	**436,844**	701,985
Europe		
– Italy	**216,814**	333,667
– England	**63,965**	163,090
– Russia	**33,734**	36,613
– Spain	**8,308**	25,155
– German	**34,128**	64,435
– France	**9,591**	56,579
– other countries	**34,239**	48,897
Subtotal	**400,779**	728,436
Africa		
– South Africa	**21,045**	38,856
– Egypt	**27,201**	31,929
– Nigeria	**14,062**	22,030
– other countries	**6,650**	4,125
Subtotal	**68,958**	96,940
Other countries/regions	**22,402**	28,779
	7,050,822	10,165,200

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

Other segment information (audited)

2012

	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*	**Total** *RMB'000*
Depreciation of property, plant and equipment	**244,271**	**82,052**	**109,327**	**7,618**	**84,913**	**528,181**	**27,307**	**555,488**
Amortisation of intangible assets	**109**	**109**	**287**	**–**	**28**	**533**	**6**	**539**
Impairment losses recognised on trade receivables	**2,523**	**1,990**	**393**	**–**	**376**	**5,282**	**98**	**5,380**
Reversal of impairment on other receivables	**1,118**	**–**	**–**	**–**	**187**	**1,305**	**37**	**1,342**
Research and development costs recognised as an expense	**3,703**	**27,354**	**2,376**	**–**	**–**	**33,433**	**331**	**33,764**
Write-down of inventories	**–**	**–**	**541**	**–**	**3,500**	**4,041**	**–**	**4,041**
Loss on disposals of property, plant and equipment	**2,368**	**15,094**	**–**	**–**	**153**	**17,615**	**293**	**17,908**
Release of prepaid lease payments	**3,324**	**1,110**	**2,008**	**76**	**676**	**7,194**	**1,999**	**9,193**

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*	Total *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

5. OTHER INCOME

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Government grants		
– related to expense items *(note)*	**3,623**	12,731
– related to assets	**8,256**	13,814
Bank deposits interest income	**20,686**	9,582
Interest income on entrusted loans	**75,299**	17,197
Gain on liquidation of a subsidiary	**–**	1,842
Dividend income from available-for-sale investments	**2,848**	2,530
Others	**7,105**	8,362
	117,817	66,058

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	
	2012	2011
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Interest on:		
Bank loans wholly repayable within five years	**131,369**	140,986
Other borrowings repayable within five years	**5,705**	10,770
Total borrowing costs	**137,074**	151,756
Less: amounts capitalised	**(998)**	(1,479)
	136,076	150,277

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a weighted average capitalisation rate of 6.53% (2011: 6.08%) per annum to expenditure on qualifying assets.

7. INCOME TAX EXPENSE

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
	(Audited)	(Audited)
PRC enterprise income tax		
– Current year	**(305,757)**	(842,893)
– Under provision in prior years	**(4,858)**	(1,822)
	(310,615)	(844,715)
Deferred tax charge		
– Withholding tax for distributable profits of PRC subsidiaries	**(22,053)**	(70,440)
– Others	**(14,841)**	34,605
	(36,894)	(35,835)
Total income tax expense	**(347,509)**	(880,550)

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	
	2012	2011
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Short term employee benefits	**245,932**	269,799
Discretionary bonus (Note a)	**5,000**	169,346
Post-employment benefits	**54,829**	49,615
Equity-settled share-based payment expenses	**143,047**	116,760
Other staff welfare	**19,265**	25,328
Total staff costs (Note b)	**468,073**	630,848
Cost of inventories recognised as expenses	**5,367,436**	6,126,913
Depreciation of property, plant and equipment	**555,488**	506,418
Amortisation of intangible assets (included in cost of sales)	**539**	2,099
Auditor's remuneration	**2,421**	2,409
Net foreign exchange losses	**6,855**	15,070
Recognition (reversal) of impairment on trade receivables	**5,380**	(492)
Reversal of impairment on other receivables	**1,342**	–
Research and development costs recognised as an expense	**33,764**	9,603
Write-down of inventories	**4,041**	16,285
Release of prepaid lease payments	**9,193**	7,875
Loss on disposals of property, plant and equipment	**17,908**	56,024

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

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Earnings for the purposes of basic and diluted earnings per share	**713,056**	2,189,861
	('000)	*('000)*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,120,552**	2,110,240
Effect of dilutive potential ordinary shares: Share options	**–**	7,259
Weighted average number of ordinary shares for purpose of diluted earnings per share	**2,120,552**	2,117,499

The computation of diluted earnings per share for the year ended 31 December 2012 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 during the year ended 31 December 2012.

10. DIVIDENDS

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Dividends paid during the year: 2011 final dividend: HK$0.400 (2011: 2010 final dividend HK$0.135) per share	**690,876**	235,697

A final dividend of HK$0.130 per share, amounting to approximately HK$275,672,000 in respect of the year ended 31 December 2012 (2011: final dividend of HK$848,221,000 (HK$0.400 per share), equivalent to RMB690,876,000, in respect of the year ended 31 December 2011) has been proposed by the Directors and is subject to approval by the shareholders in general meeting.

11. TRADE AND OTHER RECEIVABLES

	31 December 2012	2011
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Trade receivables	**798,764**	1,316,164
Less: allowance for doubtful debts	**(8,304)**	(2,924)
	790,460	1,313,240
Prepayment for raw materials	**59,230**	123,813
Value added tax receivables	**34,096**	65,417
Deposits, prepayment and other receivables	**10,405**	14,264
	894,191	1,516,734

Included in the trade receivables are bills receivables amounting to RMB453,327,000 at 31 December 2012 (31 December 2011: RMB1,122,200,000).

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 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.

	31 December 2012	2011
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Within 90 days	**582,142**	816,100
91 – 180 days	**192,914**	490,860
181 – 365 days	**15,404**	6,254
1 to 2 years	**–**	26
	790,460	1,313,240

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. 96% (2011: 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 RMB29,730,000 (31 December 2011: RMB6,545,000) 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	
	2012	2011
	RMB'000	*RMB'000*
	(Audited)	(Audited)
91 – 180 days	**15,059**	6,102
181 – 365 days	**14,671**	405
1 – 2 years	**–**	38
	29,730	6,545

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

	2012	2011
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Balance at beginning of the year	**2,924**	3,416
Recognition (reversal) of impairment on trade receivables	**5,380**	(492)
Balance at end of the year	**8,304**	2,924

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 2012	36,756
As at 31 December 2011	15,508

12. TRADE AND OTHER PAYABLES

	31 December 2012 RMB'000 (Audited)	2011 RMB'000 (Audited)
Trade payables	**590,809**	505,832
Receipt in advance from customers	**60,254**	71,147
Payroll payable *(Note a)*	**288,288**	368,613
Payable for CDM project *(Note b)*	**146,047**	102,219
Payable for property, plant and equipment *(Note c)*	**148,476**	149,855
Other tax payables	**17,211**	35,672
Other payables and accruals	**74,405**	77,465
Total	**1,325,490**	1,310,803

Notes:

(a) As at 31 December 2012, included in the payroll payable is a provision for social insurance fund for employees of the PRC subsidiaries amounting to approximately RMB71,321,000 (31 December 2011: RMB68,259,000). The amount of the provision represents the Group's entire obligation for social insurance fund for employees of 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 completion of 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 RMB30,730,000 at 31 December 2012 (31 December 2011: RMB9,700,000). Bills payables were secured by the Group's pledged bank deposits.

The average credit period on purchase of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

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

	31 December 2012 RMB'000 (Audited)	2011 RMB'000 (Audited)
Within 30 days	**423,757**	247,853
31 – 90 days	**70,257**	144,539
91 – 180 days	**62,326**	77,483
181 – 365 days	**15,724**	20,360
1 – 2 years	**8,678**	6,901
More than 2 years	**10,067**	8,696
	590,809	505,832

Included in the trade payables is a trade payable to a non-controlling shareholder of a subsidiary amounting to approximately RMB464,000 (31 December 2011: RMB2,164,000) which are aged within 30 days. The general credit period given by them is three to six months.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION REVIEW

2012 is the 25th anniversary for establishment of the Group. The year was twisted with all kinds of challenges and ordeals. Prices of fluorochemical raw materials and products surged up sharply in 2011 but dived to the bottom in 2012. The instability in the market, together with the bleak domestic and overseas economic environment, resulted in the substantial fluctuation in the Group's results. Under such a selective external environment, all dedicated members of the Group were connected with one mind and therefore attained progresses in the following aspects:

1. **Continuous increase in sales and market share**

   In 2012, sales volumes of products under refrigerant business, polymer business and organic silicone business showed a year-on-year growth of 13.3%, 8.36% and 41.5% respectively. Refrigerant and PTFE products occupied significant market share in both the domestic and foreign markets. However, since the prices suffered a deep sink from the previous year, the Group's sales revenue declined to RMB7,050,822,000. Profit attributable to the shareholders of the Company was RMB713,056,000, and basic earnings per share were RMB0.34.

2. **Application of new products, new technologies and new projects propelling the Group's innovative transformation and industrial park upgrade**

   In 2012, the Group carried out a total of 19 projects in relation to the technological revamp and comprehensive environmental protection, which not only reduced material and electrical consumption but also improved productivity and quality of our products. New construction and expansion of projects in respect of gaseous silica, R125, PTFE and tetrachloroethylene were completed to further expand production capacity of our advantageous products. The Group developed 6 new varieties, among which, the new product, DF series polymer, headed towards high-end polymer market. Chloralkali ionic membrane was used by more than ten chloralkali enterprises and exported overseas. It is worth mentioning that, under the intensified market competition, all officers and staff of the Group's organic silicone business, with their improved skills and at their best efforts, resolved 15 technical difficulties (including dimethyl tower transformation, renovation of D3 refining system, and renovation of desulfurization/denitrification low vacuum system), expanded production capacity of the 107 Silicone Rubber and launched deep processing projects like hydrogen silicone oils and gaseous silica, thereby reversing the substantial losses that continued for years and realizing profits since September. Throughout 2012, the Group's safety and environmental protection operated in a stable manner, without any major safety accident or pollution in the plants. Shandong Dongyue Organosilicon Material Co., Ltd., a wholly-owned subsidiary of the Group, was rewarded as a provincial-level advanced unit for safety culture building.

3. Further perfection of industrial chain

During the year, the Group successfully acquired exploration rights of two mines in Inner Mongolia of the PRC (namely fluorite, rare earth and iron ore mine and nickel mine) through Inner Mongolia Dongyue Fluorine Materials Co., Ltd. ("Dongyue Fluorine Materials"), a wholly-owned subsidiary of the Group. Dongyue Fluorine Materials also obtained new mineral exploration licences for the two mines issued by the relevant governmental authorities of Inner Mongolia. Furthermore, in early 2013, the Group acquired 100% equity interests in Shandong Huaxia Shenzhou New Materials Company Limited ("Huaxia Shenzhou") through Shandong Dongyue Polymers Co., Ltd. ("Dongyue Polymers"), a wholly-owned subsidiary of the Group. Huaxia Shenzhou is principally engaged in the business of production and sale of a variety of downstream fluoropolymer fine chemicals including VDF, PVDF, FKM and FEP. Viewed as "new materials" in the PRC, these fluoropolymer fine chemicals have favourable characters which can be widely applied in various aspects such as electrical and electronics, automotive and painting industries. FEP is primarily used in wire's insulation layer and thin walled tube of photovoltaic products and electronic products, with a market share of more than 50%. PVDF is primarily used in fluorocarbon coatings. FKM is primarily used in production of confined pieces necessary for automobile and machinery manufacturing, with a market share of approximately 20%.

4. Full supports from the government and continuous improvement in brand awareness and social status

During the year under review, municipal government held business conference at the Group for the third time to help resolve practical problems in the Group's development and create a better development environment for the Company. Mr. Zhang Jianhong, the Chairman of the board of Directors (the "Board"), was elected as the Vice Chairman of China Federation of Industry & Commerce. Dr. Zhang Yongming (張永明博士) of the Company was rewarded the Ho Leung Ho Lee Prize in Advances in Science and Technology, and Mr. Liu Yandong, a member of the Political Bureau of the CPC Central Committee and the State Councilor, granted the prize to Dr. Zhang in person. The Ho Leung Ho Lee Prize is known as the Chinese "Nobel Prize" in the world. The ionic membrane technology won the "State Technological Invention Award". Dongyue Polymers won the Governor Quality Award and was ranked the first among the five award winners. Accreditation of such award was not only a complete recognition of the Company's production safety, self innovation, quality improvement, environmental protection, energy conservation, and management innovation but also an urge and supervision on the Group's management.

FUTURE PROSPECTS

Looking into 2013, macroeconomic environment is still entangled with many complications and uncertainties, global economic growth sees lots of obstacles and, for fluorosilica industry, the coming year is another year of difficulties and challenges. Under this backdrop, the Group will center on the main line of innovative transformation and internal improvement, leverage the Group's advantages in research, innovation, brand and scale, continuously adhere to the development direction of science and technology, environmental protection and internationalization, operate prudently and improve its competitiveness and profitability by adoption of the following measures:

1. **To focus on technology progress and product upgrade, improve development quality and product competitiveness, and create a "blue ocean" market for the Group**

   The Group will proactively explore the market of products for new uses and with customized specifications and vigorously promote its new products, such as modified dispersion resins and modified emulsions. The Group will also upgrade facilities for projects in relation to Gross Rubber and gaseous silica, with a view to enrich the variety of products and increase their added value.

2. **To carry out new construction, reconstruction and expansion and the construction of technological innovation, energy saving and emission reduction projects**

   The Group will construct the production facilities of refrigerants such as R125 and R32; polymers such as PTFE; and other products such as tetrachloroethylene, hydroxyl silicone oils, 107 Silicone Rubber and gaseous silica. The Group will also complete the construction works of technological renovation, energy saving and emission reduction projects to facilitate product consumption reduction revamp, tail gas recovery, comprehensive utilization of by-products, and production techniques optimization etc.

3. **To emphasize management reform, employee training and introduction of senior professionals**

   The Group will consolidate its departments, downsize its staff and merge its positions. In the meantime, it will propel a comprehensive planning and budget control. The Group will also improve the quality of its staff and provide them with prominent training, to create high-quality, high-value and high-end products with its high-caliber staff.

4. **To consistently emphasize cost control, improve operation quality and create cost competitiveness and cost effectiveness**

   The Group will continue perfection and improvement on procurement, energy saving, consumption reduction, cost saving, and labor saving, optimize the cost control system, improve production efficiency and reduce unnecessary wastes and expenditures.

5. **To promote conversion of research results and complete project research and development and patent application**

The Group will do its best to promote marketing of its research results, including chloralkali ionic membrane, hydroxyl silicone oils and ETFE resins, to complete the research and development of its projects, including the third generation chloralkali ionic membrane, fuel and battery membrane, lithium battery membrane, vanadium battery membrane, water treatment membrane and solar cell packaging membrane, and to file application for such research and development patents in time. The Group's state-level functional membrane research and development center (including relevant real estate facilities) was prepared for construction at the end of the year under review.

FINANCIAL REVIEW

Results Highlights

For the year ended 31 December 2012, the Group recorded revenue of approximately RMB7,050,822,000, representing a decrease of 30.64% over RMB10,165,200,000 of the last year. The gross profit margin decreased to 23.88% (2011: 39.73%) and the consolidated segment results margin* was 19.11% (2011: 33.61%). The operating results margin was 16.88% (2011: 32.38%). 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 17.45% (2011: 32.07%). During the year under review, the Group recorded profit before tax of approximately RMB1,054,572,000 (2011: RMB3,141,431,000), and net profit of approximately RMB707,063,000 (2011: RMB2,260,881,000), while consolidated profit attributable to the Company's owners was approximately RMB713,056,000 (2011: RMB2,189,861,000). Basic earnings per share were RMB0.34 (2011: RMB1.04). The Board recommended the payment of a final dividend of HK$0.130 (2011: HK$0.400) per share to the shareholders whose names appear on the register of members of the Company on 23 May 2013.

* Consolidated Segment Results ÷ 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 year ended 31 December 2012 and the year ended 31 December 2011:

Reportable and Operating Segments	**For the year ended 31 December 2012** Revenue			For the year ended 31 December 2011		
	Revenue	**Results**	**Operating Results Margin**	Revenue	Results	Operating Results Margin
	RMB'000	***RMB'000***		*RMB'000*	*RMB'000*	
Refrigerants	**3,671,321**	**296,270**	**8.07%**	5,557,191	1,703,481	30.65%
Polymers	**1,944,666**	**856,118**	**44.02%**	3,183,248	1,305,819	41.02%
Organic silicone	**1,351,278**	**(22,848)**	**-1.69%**	1,066,329	(75,667)	-7.10%
CER	**184,697**	**135,524**	**73.38%**	319,557	250,706	78.45%
Dichloromethane, PVC and Liquid Alkali	**1,164,601**	**92,003**	**7.90%**	1,518,927	191,887	12.63%
Others	**557,988**	**(9,669)**	**-1.73%**	596,483	39,812	6.67%
	8,874,551	**1,347,398**	**15.18%**	12,241,735	3,416,038	27.90%
Less: Inter-segment sales	**(1,823,729)**	**–**	**–**	(2,076,535)	–	–
Consolidated	**7,050,822**	**1,347,398**	**19.11%**	10,165,200	3,416,038	33.61%

Analysis of Revenue and Operating Results

During the year under review, with the sluggish domestic and global macro-economic development, which was initiated by the vulnerable U.S. economic recovery process and the issue of European debt crisis, the fluoro-chemical industry in China has been adversely affected. Under this unfavorable situation, with its scalable vertically integrated value chain, the Group continued to capitalize on its leading market position, strong R&D capabilities and extensive sales network to expand its production capacities, to upgrade its technology level, and to optimize its product mix. As a result, during the current year under review, the Group experienced an increase in the production and sales volumes of most of its products in the refrigerants, polymers and organic silicone segments year-on-year. However, the slowdown in economic growth has exceeded the market expectation and the domestic as well as international demand in the industry has declined significantly, leading to a significant fall in the prices of the Group's products. Although the raw material costs decreased simultaneously, such decreases cannot be able to mitigate the negative impacts arising from the decrease in selling prices of the Group's products, resulting in the overall decrease in their profit margins.

Refrigerants

During the current year, the refrigerants segment remained to be the largest revenue contributor to the Group's revenue, accounting for approximately 32.90% (excluding inter-segment sales). The revenue decreased by 33.94% to RMB3,671,321,000 from RMB5,557,191,000 of the last year. This segment includes the revenue from the manufacturing and sale of traditional refrigerants products (mainly R22) and new green and environmental-friendly refrigerants products (mainly R32, R125, R134a, R142b, R152a, R439a and so forth). Being used as separate cooling agents, refrigerants products can also be applied as the raw materials for the production of other types of refrigerants and the fluoropolymers products (and its related high-end downstream products).

The slowdown in the China's property market, the home appliance products end-market and the domestic automobile industry has all negatively affected the domestic refrigerants market. Moreover, the depressed raw materials prices (such as fluorspar, AHF and methane chloride), resulting from the weak economic momentum and rapid increase in the capacities in recent times, and the weakness in the domestic and worldwide economy has intensified the fall in the selling prices of the Group's refrigerants products as compared to those of the last year. However, thanks to the improved efficiency of the Group's production and its leading market position, the Group can be able to record growth in the sales volume of traditional refrigerants and certain green refrigerants (such as R134a, R32, R125, R142b and R152a) year-on-year.

Being the backbone refrigerants product of the Group with the largest production capacity in the world (200,000 tonnes per annum), R22 is the most widely used refrigerant in China 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 and R125. R125 (21,000 tonnes per annum) and R32 (27,000 tonnes per annum) are the key mixing ingredients for other types of green refrigerants (such as R410a and R439a (independently developed by the Group)). During the current year, the Group added an additional capacity of 8,000 tonnes of R125, which was based on a more advanced production method (PCE method). This can lay a solid foundation upon which the Group can achieve further cost effectiveness.

During the current year under review, notwithstanding the cooling down of the domestic home appliances market, the Group can be able to record an increase of sales volume of R22 year-on-year, which was mainly attributable to the increase in export volume as a result of continuing closing down of the relevant global capacity. Disapproval of new capacity of R22 by the Chinese government pursuant to the Montreal Protocol and its wide applicability also led to the moderate increase in the domestic sales volume year-on-year.

Pursuant to the Montreal Protocol, R22 would be phased out as a refrigerant and would be replaced by other green refrigerants. Currently, R410a and R439a have been the two principal replacing refrigerants which have been widely applied in inverter air conditioners and other green home appliances. The cancellation of home appliance products subsidies in 2011 and the sluggish domestic property market has led to a decrease in the sales volume of R439a on a year-on-year basis. However, as the Group commenced to manufacture R410a and sold a total of approximately 4,800 tonnes during the year, the negative impacts arising from the decrease in the sales volume of R439a have been partly mitigated.

During the current year under review, as the Group recorded a substantial fall in the average selling prices of all of its refrigerants products, the sales revenue of this segment declined accordingly as compared to the last year.

The results of the refrigerants segment contributed 21.99% (2011: 49.87%) of the total segment results of the Group, while its segment results margin was 8.07%, compared with 30.65% of the last year. In 2012, there was significant fall in the selling prices of the Group's refrigerants products. Notwithstanding the fact that the raw materials (fluorspar, AHF, methane chloride, sulfuric acid, methanol, industrial salt, etc.) cost decreased significantly, such decreases are not able to offset entirely the impact arising from the decrease in the selling prices, leading to the overall decrease in this segment results margin.

Polymers

In 2012, the revenue from the polymers segment decreased by 38.91% to RMB1,944,666,000 from RMB3,183,248,000 of the last year. Polymers segment is the second largest contributor to the revenue of the Group, accounting approximately 27.58% of the consolidated revenue of the Group during the current year. Polymers segment, together with organic silicone segment of the Group, are regarded pursuant to the Twelfth Five-Year Plan of the Chinese government as falling within the "New Material Industry of China" with huge potential and business prospects.

The segment mainly includes the revenue from the production and sales of PTFE (a synthetic fluoropolymer with high level of resistance to temperature changes, electrical insulation, and ageing 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 (a primary raw material to produce fine fluorochemicals that are used in high-end fire extinguishers, fluoro rubber and other high-end downstream products such as FEP). Depending on the specific market requirements, PTFE is produced and sold in the forms of suspension medium grain, suspension fine powders, dispersion resins and concentrate liquid. R22 is the basic and important raw material for TFE (a fluorocarbon), which is used by the Group for the production of both PTFE and HFP. As at the end of 31 December 2012, the Group's total annual production capacities of TFE, PTFE and HFP were approximately 50,000 tonnes, 37,000 tonnes and 10,000 tonnes, respectively.

With the weaknesses of its end-application markets, which translate into the cooling down of the growth momentum of domestic and international demand for the Group's products, coupled with the depressing raw material cost (R22), this segment saw a decline in its revenue in 2012 resulting from the decrease in the selling prices of the products. While the sales volume of HFP remained strongly accelerated and those of the PTFE experienced a slight increase on a year-on-year basis, this favourable situation was more than mitigated by the decline in the selling prices of PTFE and HFP.

This segment contributed 63.54% (2011: 38.23%) to the total segment results of the Group, while its segment results margin increased to 44.02% from 41.02% of the last year. In 2012, as a result of significant fall in the raw materials cost (R22), in respect of which the Group can be able to maintain nearly 100% self-sufficiency ratio, the Group can be able to struggle against the falling selling prices of PTFE and HFP and to record improvement in this overall segment results margin.

Organic Silicone

Accounting for 19.10% (excluding inter-segment sales) of the consolidated revenue of the Group for the current year under review, the revenue coming from the organic silicone business segment increased by 26.72% to RMB1,351,278,000 from RMB1,066,329,000. This segment mainly includes the production and sales of DMC (upstream organic silicone intermediates that are used as raw materials to produce deep proceeded silicone products, such as silicone oils, silicone rubber and silicone resins), 107 Silicone Rubber and Raw Vulcanizate (deep proceeded silicone downstream products). 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 produce silicone monomers with silicone powder and chloromethane and further process them to become silicone intermediates and deep processed downstream products. As at the end of 31 December 2012, the Group's total production capacity for silicone monomers is 180,000 tonnes per annum.

In 2012, the Group recorded a surge in the sales volume of this business segment as compared to the last year, thanks to the increase in the average production capacity for the current year as a result of the completion of the second phase expansion project regarding 100,000 tonnes per annum of organic silicone monomer and the associated technological upgrading project in the middle of 2011. In addition, the introduction of new downstream products, such as Gross Rubber and Gaseous Silica, contributed to such increase. However, the positive impact had been partly mitigated by the depressing selling prices of the Group's products in this segment. The issues surrounding the industry, such as over-capacity, technology bottleneck has yet to be resolved during the current year. However, in the second half of 2012, such issues have not been aggravated and with the improved technology relating to this business segment and the continuous improvement in the contribution from its downstream products, the operating results of this business segment has therefore been improved.

During the current year, the operating loss of this segment narrowed to RMB22,848,000 from RMB75,667,000 of the last year, which translated to segment results margin of -1.69% (2011: -7.10%).

Dichloromethane, PVC and Liquid Alkali

This segment includes the revenue from the production and sale of the Group's two main side products of the Group's refrigerants segment (dichloromethane and liquid alkali) and the Group's PVC products.

During the current year, accounting for approximately 15.76% (excluding inter-segment sale) of the Group's consolidated revenue in 2012, the revenue for this segment decreased by 23.33% to RMB1,164,601,000 from RMB1,518,927,000 of the last year.

Liquid alkali is a basic chemical for the production of the Group's methane chloride, and used in the textile, power and materials industries. Methane chloride includes dichloromethane, which is mainly used to manufacture antibiotics and as a foaming mode for polyurethane. Dichloromethane is not required to be used for the Group's production processes. The Group engaged in the production of PVC (a widely used thermoplastic polymer applied in the construction industry to replace traditional building materials) with an annual capacity of 120,000 tonnes. The production of refrigerants products generates a chemical, hydrogen chloride, which is one of the basic raw material for PVC production. Therefore, the Group's PVC production can ensure production synergies and increasing economic value generated from a self-sufficient business chain.

During the current year under review, as a result of depressing domestic construction and industrial markets, the market outlook is uncertain, resulting in the insufficient market demand. Both the sale volumes and the selling prices of PVC, liquid alkali and dichloromethane products decreased significantly as compared to the same period last year, which led to a drop in the sales revenue of this segment.

During the current year, as a result of market downturn in the chemical, manufacturing and construction industries, this segment recorded an operational profit of RMB92,003,000, compared with segment profits of RMB191,887,000 in respect of the year ended 31 December 2011. As a result of disappointing performance of PVC business, the Group temporarily ceased the production of PVC products starting from November 2012 but resumed production in January 2013.

CER

During the current year under review, the Group sold a total of approximately 12,691,562 (2011: 16,155,086) tonnes of CER units and a total amount of RMB184,697,000 (2011: RMB319,557,000) was recorded by the Group as the CER revenue in respect of the Group's reduction in HFC23 emission for 2011 second, third and fourth quarters and 2012 first and second quarters, which have been confirmed and endorsed by United Nations Framework Convention on Climate Change. As the selling price of CER units in European market dropped significantly, the CER revenue decreased accordingly as compared to the year of 2011. During the current year, majority of the Group's CER units can only be able to be sold at the minimum price of US$6.5 per each CER unit as stipulated by the Chinese government. This factor accounted for the fall in this segment results margin to 73.38%, compared with 78.45% of the last year.

Distribution and Selling Expenses

During the year, the distribution and selling expenses merely decreased by 0.91% to RMB209,912,000 from RMB211,849,000 of the last year.

Administrative Expenses

During the year, the administrative expenses decreased by 37.87% to RMB367,203,000 from RMB590,984,000 of the last year. The decrease was mainly attributable to the decrease in the payroll expenses (excluding the expenses on share options granted to the Directors and the employees). Should the relevant expenses on share options be excluded, the administrative expenses during the year was RMB224,156,000 (2011: RMB474,224,000), representing a substantial decrease of 52.73%.

Finance Costs

During the year, the finance costs merely decreased by 9.45% to RMB136,076,000 from RMB150,277,000 of the last year. This was mainly due to the decrease in the average borrowings of the Group.

Capital Expenditure

For the year ended 31 December 2012, the Group's capital expenditure was approximately RMB791,901,000 (year ended 31 December 2011: RMB1,246,411,000), which was mainly used in the acquisition of the exploration rights of two mines and fixed assets including equipment and facilities for the Group's expansion projects in (1) the 10,000 tonnes per annum of R134a (which was later converted to 8,000 tonnes per annum of R125); (2) the 7,000 tonnes per annum of PTFE; (3) the 3,000 tonnes per year of gaseous silica, (4) the 10,000 tonnes per annum of TFE, (5) the second phase expansion of the 5,000 tonnes per annum of PTFE and (6) various expansion in capacities of other high-end downstream organic silicone products. The expansion projects in respect of R134a, the 7,000 tonnes of PTFE and gaseous silica have been completed during the current year.

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 2012, the Group's total equity amounted to RMB5,226,858,000, representing an increase of 2.99% compared with that as at 31 December 2011. As at 31 December 2012, the Group's bank balances and cash totaled RMB1,682,728,000 (31 December 2011: RMB1,509,280,000). During the year under review, the Group generated a total of RMB2,075,326,000 (for the year ended 31 December 2011: RMB2,933,763,000) cash inflow from its operating activities. The current ratio(1) of the Group as at 31 December 2012 was 1.80 (31 December 2011: 1.70).

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

There has been no change in the share capital of the Company during the year under review. As at 1 January and 31 December 2012, the number of issued shares of the Company was 2,120,552,455.

As at 31 December 2012, the borrowings of the Group totaled RMB1,912,098,000 (31 December 2011: RMB2,271,086,000). The gearing ratio(2) of the Group was 4.20% (31 December 2011: 13.05%).

The Group had no particular seasonal pattern of borrowing. As at 31 December 2012, 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 RMB1,137,796,000, which are wholly repayable after one year but not exceeding five years. The current portion of borrowings amounted to approximately RMB774,302,000. 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 2012 were 6.65% (2011: 5.94%) and 6.53% (2011: 6.50%) per annum, respectively. As at 31 December 2012, 12.20% (31 December 2011: 4.62%) of the Group's borrowings bear fixed interest rates.

As at 31 December 2012, the Group's borrowings were denominated in RMB and US dollars, amounting to approximately RMB1,770,674,000 and approximately US$22,550,000 (equivalent to approximately RMB141,424,000) respectively.

Group Structure

During the current year under review, Shandong Dongyue Chemicals Co. Ltd. ("Dongyue Chemicals"), a wholly-owned subsidiary of the Company, established Huantai Dongyue International Trade Company Ltd. ("Dongyue Trade"). Dongyue Trade, in which Dongyue Chemicals owned 100% interests, is a company established in China whose main business is to engage in import and export activities on behalf of the Group.

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

As stated in the Company's announcement dated 18 March 2012, Dongyue Fluorine Materials entered into agreements to acquire exploration right of a nickel mine and an iron and fluorspar mine at a total consideration of RMB80 million. Please refer to the relevant announcement for the details. During the year, the acquisition has been completed.

On 25 January 2013, Dongyue Polymers entered into an agreement pursuant to which Dongyue Polymers agreed to purchase the entire equity capital in Huaxia Shenzhou. Please refer to the relevant announcement of the Company for the details. On 21 February 2013, the acquisition was completed.

Notes:

(1) Current Ratio = Current Assets ÷ Current Liabilities

(2) Gearing Ratio = Net Debt ÷ Total Capital

Net Debt = Total Borrowings – Bank Balances and Cash

Total Capital = Net Debt + Total Equity

Charge on Assets

As at 31 December 2012, the Group had certain property, plant and equipment and lease prepayments with an aggregate carrying value of approximately RMB751,261,000 (31 December 2011: RMB1,609,215,000), and bank deposits of RMB20,570,000 (31 December 2011: RMB4,340,000), 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 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 5,887 employees in total as at 31 December 2012 (31 December 2011: 5,495). 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 a share option scheme 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.

OTHER INFORMATION

Final Dividend

The Directors recommend the payment of a final dividend of HK$0.130 (the "Final Dividend") (2011: HK$0.400) per share in respect of the year 2012, 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 20 May 2013. 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 2012.

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 2012 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 20 March 2013, 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 2012 before proposing them to 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.

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. Liu Yi and Mr. Ting Leung Huel, Stephen were appointed as the members of the Nomination Committee.

Compliance with the Code on Corporate Governance Practices

The HKSE has promulgated the Hong Kong Code on Corporate Governance Practices (the "Code") which came into effect for listed issuers' first financial year commencing on or after 1 January 2005. 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.

Throughout the year ended 31 December 2012, save as disclosed below, the Company has complied with the Code and the Revised 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.

Revised Code Provision A.6.7

There was a deviation from provision A.6.7 of the Revised Code:

A.6.7 of the Revised Code stipulates that all of the independent non-executive Directors should attend the annual general meeting of the Company in order to develop a balanced understanding of the views of the Shareholders. Due to his urgent offshore business engagement, Mr. Liu Yi, one of the independent non-executive Directors of the Company, did not attend the annual general meeting of the Company held in Hong Kong on 18 May 2012. All the other Directors who had attended the annual general meeting had shared with Mr. Liu the views of the Shareholders raised during the annual general meeting and the Board will finalize and inform the date of the annual general meeting as earliest as possible to make sure that all the independent non-executive Directors would attend the annual general meeting of the Company in future.

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 2013.

(II) Closure of Register of Members

The Board announces that the Register will be closed from 15 May to 20 May 2013, 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 14 May 2013.

The Board further announces that the Register will be closed from 24 May to 28 May 2013, 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 2013.

The expected date for payment of the Final Dividend is 17 June 2013.

(III) Formation of Corporate Governance Committee

The Board further announces that a Corporate Governance committee was established by the Board with written terms of reference with effect from 21 March 2013. Mr. Zhang Jianhong was appointed as the chairman of the Corporate Governance Committee and Mr. Liu Chuanqi and Dr. Wu Tao were appointed as the members of the Corporate Governance Committee.

By Order of the Board
Dongyue Group Limited
Zhang Jianhong
Chairman

Hong Kong, 20 March 2013

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. Liu Yi and Mr. Yue Run Dong as independent non-executive Directors.