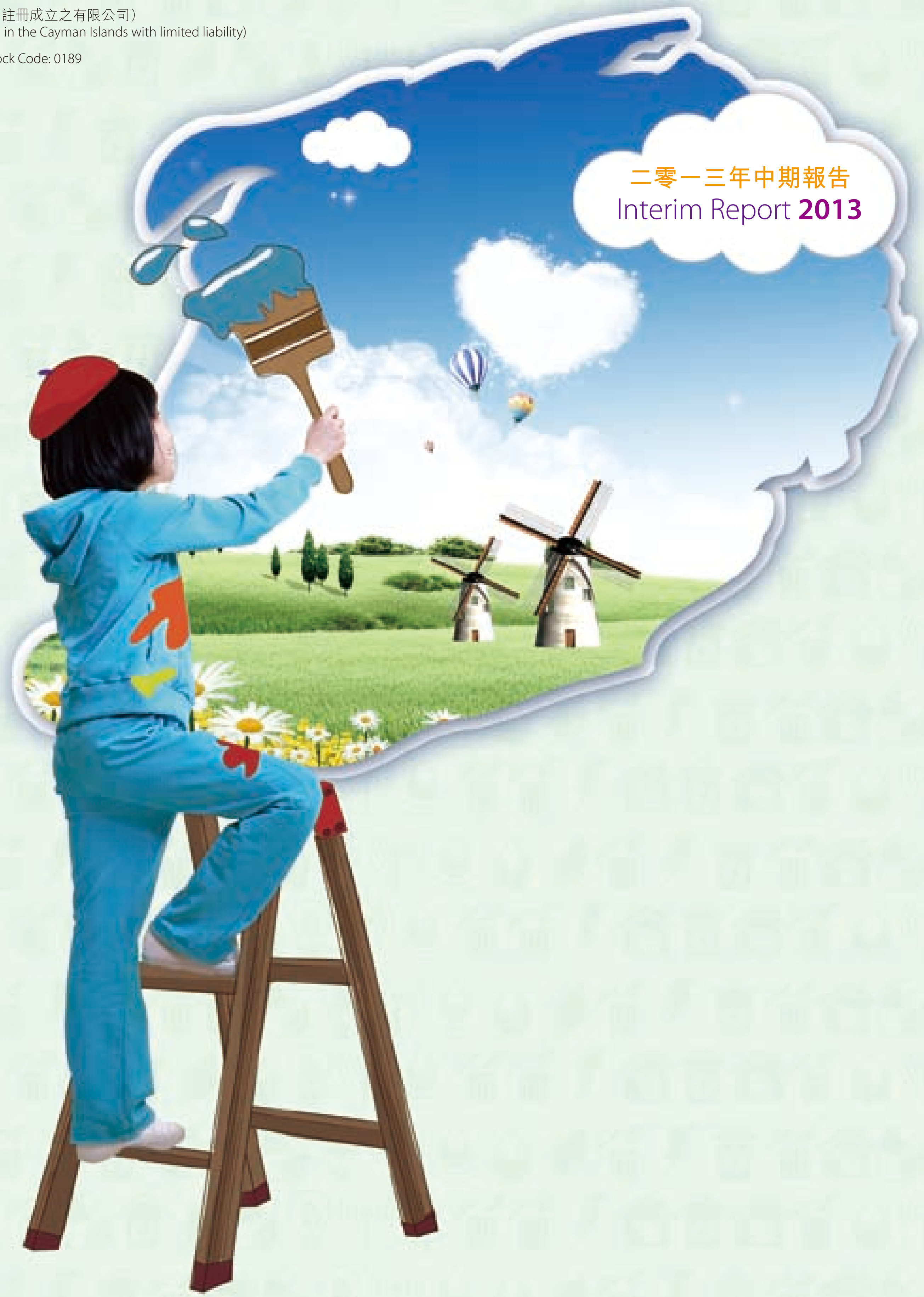
DONGYUE FEDERATION

東岳集團有限公司
DONGYUE GROUP LIMITED

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

股份代號 Stock Code: 0189



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Corporate Information

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Cayman Islands

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Mr. FU Kwan
Mr. LIU Chuanqi
Mr. CUI Tongzheng
Dr. WU Tao
Mr. ZHANG Jian

Independent Non-Executive Directors
Mr. TING Leung Huel, Stephen
Mr. LIU Yi
Mr. YUE Run Dong

COMPANY SECRETARY
Mr. NG Kwok Choi

AUTHORIZED REPRESENTATIVES
Mr. FU Kwan
Mr. NG Kwok Choi

AUDIT COMMITTEE
Mr. TING Leung Huel, Stephen *(Chairman)*
Mr. LIU Yi
Mr. YUE Run Dong

REMUNERATION COMMITTEE
Mr. LIU Yi *(Chairman)*
Mr. TING Leung Huel, Stephen
Mr. ZHANG Jianhong

NOMINATION COMMITTEE
Mr. ZHANG Jianhong *(Chairman)*
Mr. TING Leung Huel, Stephen
Mr. LIU Yi

CORPORATE GOVERNANCE COMMITTEE
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Mr. LIU Chuanqi
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STOCK CODE
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Management Discussion and Analysis

BUSINESS REVIEW

In the first half of 2013, despite signs of economic recovery in the U.S, the economic conditions in Europe and other regions remained uncertain and the growth of domestic economy continued to slow down which adversely affected the overall economy. Facing the declining market demand, the prices of fluorochemical products continued to suffer deeply during the first half of the year in light of the generally depressed fluorochemical industry. As a result, the operations of Dongyue Group Limited (the "Company") and its subsidiaries (together the "Group") encountered various difficulties in the first half of the year. Notwithstanding this, the Group still achieved promising results under such unfavorable environment by leveraging its distinctive advantages in areas such as research, innovation, brand and scale:

1. The sales volume of products and market share continued to increase. Although the drop in price led to a decrease in sales revenue in the first half of 2013 as compared to the same period last year, the sales volume of the Group's products such as refrigerants, polymers and organic silicone increased as compared to the same period last year with expanded market shares.

2. Product mix became more diversified and the product structure was further optimized. For the first half of the year, the Group introduced 20 new products in total such as hydrogen silicone oil and DMC linear products under the organic silicone business segment and the modified dispersion resins and modified emulsions under the polymer business segment via in-house R&D. Through the Group's acquisition of Shandong Huaxia Shenzhou New Materials Company Limited ("Huaxia Shenzhou"), new products such as FEP, PVDF and FKM under the polymer business segment were launched. With the expansion of production capacity of the products such as PTFE, organic silicone monomers, gaseous silica and 107 Silicone Rubber, the competitive edges of the Group became more obvious.

3. Technological capability continued to be strengthened with further enhancement in process management. For the first half of 2013, the Group has completed 23 projects in relation to technological revamp, energy saving and emission reduction, of which 9 projects have been steadily carried out for over 2 months. It is worth mentioning that, the organic silicone business segment has completely turned around from the loss suffered in the previous year and maintained profitable growth in the first half of 2013 as a whole by undergoing technological innovation and product upgrade.

4. Brand recognition was further improved and social influence gathered strength. Through formulating and implementing the scheme of "attaining high quality services by visit", the incentive measures of "maintaining profit, market share and brand image" were fully implemented and the "3 zeros" commitment was realized, which enhanced the market reputation of the Group. The chairman of China Federation of Industry & Commerce and leaders from Shandong province, other provinces and municipals showed great recognition and appreciation in respect of the development concept and achievement of the Company.

FUTURE PROSPECTS

The future economy is still overclouded by various uncertainties. After the boom of fluorochemical industry, it has been going through the cold winter for one and a half years. This situation was further aggravated with continuous increase of production capacity for the past two years, which resulted in urgent needs for transformation and upgrade for the fluorochemical industry. This has imposed great challenges for future operation of the Group.

However, upholding the business objectives of innovative transformation and improved skills, the Group is heading towards high-end sectors by introducing new technologies, products and projects. We have seized the market with our high quality technical services, actively adapted to the market changes and performed proactively in face of competition. In the second half of 2013, the Group will make unremitting efforts in the following areas:

1. To highlight the technological pioneering strategy. We are dedicated to attain perfection and specialization in full fledge for our products and focus on areas such as substitution imports, downstream processing, high-end research and development, recruitment of talents and seeking for cooperation, as well as further optimizing the incentive mechanism for new product research and development.

2. To strengthen quality control and increase market share. To gain market share, we will strengthen the equipment management, introduce advanced machinery, improve process control and side product management and utilize our advantages in providing high quality products and technical services.

3. To firmly promote project construction. We will not only capture a good opportunity for construction with lower cost and further maximize our product structures, but also our economy of scale to ensure our status within the industry.

4. To carry out vigorously our policy research work. We will endeavor to carry out research on the land use, electricity and energy saving and emission reduction and strategic investment in selected industries so as to ensure the high efficiency of our business policy.

5. To steadily foster the project construction of "Dongyue International". The "Dongyue International" project is an integrated project which provides high-end residential real estate and public utilities with the functional membrane research and development center as its core. Subject to the stringent quality control, the progress of project will also be assured; and

6. To emphasize work safety and environmental protection. We will ensure the standard of environmental protection being attained in all aspects without any occurrence of major safety incident.

The fluoro silicone materials have non-substitutable and favorable characters which can be widely applied in various aspects and more new applications are yet to be identified, thus the fluoro silicone industry should have great development potential in the future. As the leading enterprise in the fluorochemical industry, the Group has always taken the initiatives to develop the organic silicone business segment through technological advancement and new product development. In the first half of 2013, the business segment succeeded in turning losses into profit and will become a new source of profit growth in the future. The management is confident to our future development and will continue to maintain our stable operation and capture the opportunities admidst the changing environment so as to bring long-term and stable return to the Shareholders.

FINANCIAL REVIEW

Results Highlights

For the six months ended 30 June 2013, the Group recorded revenue of approximately RMB3,195,844,000, representing a decrease of 12.13% over RMB3,636,987,000 of the corresponding period last year. The gross profit margin decreased to 16.02% (corresponding period of 2012: 27.13%) and the consolidated segment results margin* was 11.25% (corresponding period of 2012: 22.86%). The operating results margin was 9.66% (corresponding period of 2012: 20.16%). Should the Certified Emission Reduction (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 9.78% (corresponding period of 2012: 21.15%). During the period, the Group recorded profit before tax of approximately RMB245,498,000 (corresponding period of 2012: RMB664,130,000), and net profit of approximately RMB190,339,000 (corresponding period of 2012: RMB434,376,000), while consolidated profit attributable to the Company's owners was approximately RMB211,711,000 (corresponding period of 2012: RMB432,675,000). Basic earnings per share were RMB0.10 (corresponding period of 2012: RMB 0.20). The unaudited consolidated results of the Group have been reviewed by the Audit Committee and the external auditor of the Company.

* 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 six months ended 30 June 2013 and the six months ended 30 June 2012:

Reportable and Operating Segments	**For the six months ended 30 June 2013** Revenue RMB'000	Results RMB'000	Operating Results Margin	For the six months ended 30 June 2012 Revenue RMB'000	Results RMB'000	Operating Results Margin
Refrigerants	**1,473,060**	**25,091**	**1.70%**	2,010,423	271,873	13.52%
Polymers	**984,190**	**295,890**	**30.06%**	1,034,700	497,352	48.07%
Organic Silicone	**662,152**	**23,250**	**3.51%**	560,437	(41,638)	-7.43%
CER	**48,554**	**49,047**	**101.02%**	106,273	77,827	73.23%
Dichloromethane, Polyvinyl Chloride ("PVC") and Liquid Alkali	**455,219**	**(36,221)**	**-7.96%**	606,564	52,449	8.65%
Others	**277,909**	**2,416**	**0.87%**	225,113	(26,462)	-11.75%
	3,901,084	**359,473**	**9.21%**	4,543,510	831,401	18.30%
Less: Inter-segment sales	**(705,240)**	**—**	**—**	(906,523)	—	—
Consolidated	**3,195,844**	**359,473**	**11.25%**	3,636,987	831,401	22.86%

Analysis of Revenue and Operating Results

During the year ended 31 December 2012, due to the bleak domestic and overseas economic environment, which was initiated by the vulnerable U.S. economic recovery process and the issue of European debt crisis, uncertainties in the prospect of the fluorochemical industry and the slowdown in the domestic economic growth in the People's Republic of China (the "PRC"), the fluorochemical industry was adversely affected by the decreases in both demand and selling prices of fluorochemical products. Such unfavourable market sentiment has not turned around during the current period under review. In addition, additions of new capacities in the industry by the peers have led to an increase in supply of fluorochemical products, which further intensified the issue.

Under this unfavourable market condition, with its scalable vertically integrated self-sufficient 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 period under review, the Group strived to increase its overall production and sales volumes year-on-year. However, the Group experienced substantial decrease in the selling prices of its fluorochemical products year-on-year, which led to a substantial decrease in the gross profit margin of the Group during the current period under review. Although the Group completed the acquisition of Huaxia Shenzhou (the "Acquisition") in February 2013 and has started to consolidate the financial results of Huaxia Shenzhou after the completion, the contributions from Huaxia Shenzhou cannot fully mitigate the negative impact arising from the decrease in the selling prices in the fluorochemical industry. 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 period, the refrigerants segment remained to be the largest revenue contributor to the Group's revenue, accounting for approximately 31.42% (excluding inter-segment sales). The revenue decreased by 26.73% to RMB1,473,060,000 from RMB2,010,423,000 of the corresponding period 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 and R410a and so forth). The Group sells refrigerants products externally to both domestic and international customers and internally (mainly R22 and R142b) for its polymers business segment.

The slowdown in the PRC's property market, the home appliance products end-market and other relevant industries 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 corresponding period last year. However, thanks to the steady demand for R22 and its leading market position, the Group can be able to record growth in the sales volume of R22 and certain green refrigerants (such as R125, R142b and R410a) year-on-year. But the Group experienced decrease in sales volume of certain categories such as R134a, R32, R439a and R152a, which resulted mainly from the general weakness in the automobile and home appliance products markets and the adjustment of the Group's product mix.

Being the backbone refrigerants product of the Group with the largest production capacity in the world, R22 is the most widely used refrigerant in the PRC and is generally used in household appliances. Apart from that, it has been one of the key raw materials for the production of the fluoropolymers and R125. R125 and R32 are the key mixing ingredients for other types of green refrigerants (such as R410a and R439a (independently developed by the Group)). In the second half of 2012, the Group added an additional capacity of 8,000 tonnes of R125, which was based on a more advanced production method (PCE method).

During the current period under review, notwithstanding the cooling down of the domestic home appliances market, the Group can be able to record an increase in sales volume of R22 year-on-year, which was mainly attributable to the continued increase in export volume as a result of continuing closing down of the relevant global capacity. Disapproval of new capacity of R22 by the PRC government pursuant to the Montreal Protocol and its wide applicability also led to the moderate increase in the domestic sales volume year-on-year. In addition, the increase in internal demand for R22 by the Group's polymers business segment as a result of increase in production quantities of PTFE and HFP contributed to such increase in sales volume of R22.

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. During the current period under review, the Group modified its strategy by promoting R410a which has been more widely accepted by the market. As a result, the Group experienced decrease in the sales volume of R439a year-on-year. However, the Group commenced to manufacture R410a and sold a total of approximately 6,600 during the current period under review, and therefore, the negative impacts arising from the decrease in the sales volume of R439a can all been mitigated. The steady increase in the sales volumes of such green refrigerants as R125 and R410a indicates that green refrigerants would gradually substitute R22 as a refrigerant going forward.

Apart from the fact that R142b can be used as refrigerant, temperature controller medium, or intermediates of aviation propellant, it can also be one of the main raw materials for the production of VDF (Vinylidene Fluoride), the production of which Huaxia Shenzhou has been presently engaging in. The Acquisition can enable the Group to secure a stable and reliable source of demand for the Group's R142b product, and the growing demand for R142b by Huaxia Shenzhou for its increased production volumes also led to the increase in the sales volume of R142b achieved by the Group during the current period year-on-year.

Notwithstanding the increase in sales volume of this business segment, during the first half year of 2013, 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 same period last year.

The results of the refrigerants segment contributed 6.98% (corresponding period of 2012: 32.70%) of the total segment results of the Group, while its segment results margin was 1.70%, compared with 13.52% of the corresponding period last year. In the first half of 2013, 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

Thanks to the consolidation of Huaxia Shenzhou's financial results by the Group, in the first half year of 2013, the revenue from the polymers segment merely decreased by 4.88% to RMB984,190,000 from RMB1,034,700,000 of the corresponding period last year. Polymers segment is the second largest contributor to the revenue of the Group, accounting approximately 30.80% of the consolidated revenue of the Group during the current period, and together with organic silicone segment of the Group, are regarded 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 downstream fine fluorochemicals such as FEP (Fluorinated Ethylene Propylene) and FKM(fluororubber)). During the current period, this segment further includes the revenue from the production of sales of a variety of downstream fluoropolymer fine chemicals including PVDF (Polyvinylidene Fluoride), VDF, FEP and FKM, in which Huaxia Shenzhou has been engaging.

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 PTFE and HFP. In addition, Huaxia Shenzhou has been relying on the supply of R22, R142b and HFP by the Group as the raw materials for the production of FEP, FKM and VDF (a raw material for the production of PVDF).

With the weaknesses of its end-application markets, which translate into weakened domestic and international demand for the Group's products, coupled with the depressing raw material cost (R22) and the increase in supply in the relevant industry, this segment saw a significant year-on-year decline in the selling prices of PTFE and HFP in the first half year of 2013, which negatively affected the sales revenue and the results margin of this segment. However, the Group is able to record growth in the sales volumes of both PTFE and HFP, which are attributable to (1) the increase in the production capacities of TFE and PTFE (the Group added further 7,000 tonnes annual production capacity of PTFE in December 2012), and (2) the launching of new products. Furthermore, the associated positive effects arising from the consolidation of Huaxia Shenzhou's financial results can partly mitigate the negative impacts arising from the fall in the selling prices.

This segment contributed 82.31% (corresponding period of 2012: 59.82%) to the total segment results of the Group, while its segment results margin decreased to 30.06% from 48.07% of the corresponding period last year.

The following is a summary of the financial results of Huaxia Shenzhou from the completion of the Acquisition to the end of June 2013 being consolidated into the Group's condensed statement of profit or loss and other comprehensive income for the current period under review:

	RMB'000
Revenue-external sales	243,870
Profit for the period	50,819

Organic Silicone

Accounting for 20.63% (excluding inter-segment sales) of the consolidated revenue of the Group for the current period under review, the revenue coming from the organic silicone business segment increased by 18.15% to RMB662,152,000 from RMB560,437,000. This segment mainly includes the production and sales of DMC (upstream organic silicone intermediates that are used as raw materials to produce deep proceeded mid-stream and downstream silicone products, such as silicone oils, silicone rubber and silicone resins), 107 Silicone Rubber, Raw Vulcanizate and Gross Rubber (deep proceeded silicone downstream products, where Raw Vulcanizate is a key raw material for producing Gross Rubber), and other by-products and high-end downstream products, such as Gaseous Silica, Silicone Oils and Trimethylchlorosilane. 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 are a key ingredient in industrial processes. The Group initially produces silicone monomers with silicone powder and internally-generated chloromethane and further processes them to become silicone intermediates (mainly DMC), with which the Group produces such deep processed mid-stream and downstream products as silicone rubbers). The Group can also be able to produce and generate other by-products and high-end downstream products, such as Gaseous Silica, Silicone Oils and Trimethylchlorosilane through its production processes.

Starting from September 2012, the Group has been taking a number of measures and associated technological revamp projects with the intention to improve the technological efficiencies and leverages, and to optimize its usage of operating wastages and re-cycling efforts. Furthermore, the market of organic silicone has not been further aggravated. As a result, the Group has experienced moderate increases in both its sales volumes and selling prices of its fundamental products year-on-year, such as DMC, 107 Silicone Rubber, Raw Vulcanizate and Gross Rubber. In addition, thanks to the increase of 3,000 tonnes per annum for Gaseous Silica and the achievement in the operating efficiencies for the Group's production processes, the Group can be able to record a surge in the sales volume of the Group's Gaseous Silica and Silicone Oils. All the above factors principally accounted for the increase in the sales revenue of this segment year-on-year.

During the current period, the Group can be able to achieve remarkable improvement in its operating efficiencies through its production synergies, optimizing the rate of utilizing wastage and ancillary chemical and increasing its yield rate of its production processes. As a result, the Group can achieve a fall in its production costs within this business segment. Together with the moderate increase in the selling prices of the Group's fundamental products and substantial increase in the selling price of the Group's Gaseous Silica, the Group can turn to an operating profit of RMB23,250,000 during the current period under review, compared to operating loss of RMB41,638,000 for the corresponding period last year, which translated to segment results margin of 3.51% (corresponding period of 2012:-7.43%).

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 period, accounting for approximately 13.41% (excluding inter-segment sale) of the Group's consolidated revenue in the first half of 2013, the revenue for this segment decreased by 24.95% to RMB455,219,000 from RMB606,564,000 of the corresponding period last year.

Liquid alkali is a basic chemical by-product from the production of the Group's methane chloride, and is 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). 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 period under review, while the sales volumes of PVC, liquid alkali and dichloromethane products were stable as compared to the same period last year, the selling price of dichloromethane product experienced a significant drop year-on-year as a result of the weakness of the manufacturing industries and downturn in the methane chloride market, which principally led to a drop in the sales revenue of this segment.

During the current period, as a result of market downturn in the chemical industry, this segment turned into recording an operational loss of RMB36,221,000, compared with segment profits of RMB52,449,000 in respect of the six months period ended 30 June 2012. All the products in this segment recorded different levels of operating losses. However, the Group was able to alleviate the operating loss of the PVC product year-on-year.

CER

During the current period, the Group sold a total of approximately 3,224,000 (six months ended 30 June 2012: 7,136,000) tonnes of CER units and a total amount of RMB48,554,000 (six months ended 30 June 2012: RMB106,273,000) was recorded by the Group as the CER revenue in respect of the Group's reduction in HFC23 emission (the "CDM Project") for 2012 third and fourth quarters, which have been confirmed and endorsed by United Nations Framework Convention on Climate Change ("UNFCCC"). In the wake of the weakness of the worldwide CER marke。, 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 PRC government.

During the current period, the sales volume of CER units dropped substantially as one of the Group's CER customers terminated the CER purchase agreement with the Group by compensating the Group with an amount of USD4 million (equivalent RMB RMB24,869,000) as the condition for the termination.

As the registration of the CDM Project with UNFCCC expired on 31 December 2012, the Group has currently been in active negotiation with UNFCCC in order to extend the relevant registration.

Others
This segment included the revenue from the production and sale of the Group's other side and by-products of the Group's various operating segments.

During the current period, accounting for approximately 2.22% (excluding inter-segment sale) of the Group's consolidated revenue in the first half of 2013, the revenue for this segment increased by 23.45% to RMB277,909,000 from RMB225,113,000 of the corresponding period last year, and this segment turned to an operational profit of RMB2,416,000 from operational loss of RMB26,462,000 of the corresponding period last year.

Distribution and Selling Expenses
During the period, the distribution and selling expenses increased by 18.71% to RMB118,368,000 from RMB99,713,000 of the corresponding period last year, which was mainly due to (1) the increase in the sales volume of the Group year-on-year and (2) the Acquisition.

Administrative Expenses
During the period, the administrative expenses decreased by 22.50% to RMB149,143,000 from RMB192,444,000 of the corresponding period last year. The decrease was mainly due to the decrease in the payroll expenses (including 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 period were RMB101,044,000 (corresponding period last year: RMB101,042,000).

Finance Costs
During the period, the finance costs decreased by 7.93% to RMB63,477,000 from RMB68,941,000 of the corresponding period last year. This was mainly due to the decrease in the average interest rate of the Group's borrowings.

Capital Expenditure
For the six months ended 30 June 2013, the Group's aggregate capital expenditure was approximately RMB891,691,000 (six months ended 30 June 2012: RMB231,880,000). The Group used an amount of RMB590,000,000 to acquire the entire equity interest in Huaxia Shenzhou and used the remaining amount of capital expenditure mainly for the acquisition of fixed assets including the equipment and facilities for the Group's expansion projects in (1) the 10,000 tonnes per annum of TFE, (2) the 5,000 tonnes per annum of PTFE, and (3) various expansion in capacities of high-end mid-stream and downstream organic silicone products, and for the Group's various technological revamp, energy saving and emission reduction projects.

Liquidity and Financial Resources
The Group's financial position is sound with healthy working capital management and strong operating cash flow. As at 30 June 2013, the Group's total equity amounted to RMB5,233,785,000, representing an increase of 0.13% compared with 31 December 2012. As at 30 June 2013, the Group's bank balances and cash totaled RMB834,348,000 (31 December 2012: RMB1,682,728,000). During the current period under review, the Group generated a total of RMB492,017,000 (six months ended 30 June 2012: RMB1,040,319,000) cash inflow from its operating activities. The current ratio[(1)] of the Group as at 30 June 2013 was 1.50 (31 December 2012: 1.80).

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

Capital Structure
There has been no change in the share capital of the Company during the period under review. As at 1 January and 30 June 2013, the number of issued shares of the Company was 2,120,552,455.

As at 30 June 2013, the borrowings of the Group totaled RMB2,132,773,000 (31 December 2012: RMB1,912,098,000). The gearing ratio[(2)] of the Group was 19.88% (31 December 2012: 4.20%).

Group Structure

During the current period under review, Shandong Dongyue Polymers Co., Ltd., a wholly-owned subsidiary of the Company, acquired the entire equity capital in Huaxia Shenzhou. Huaxia Shenzhou is a company established in the PRC and is principally engaged in the business of the production and sale of a variety of downstream fluoropolymer fine chemicals, which is related to the reportable and operating segment of "Polymers" of the Group.

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

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 30 June 2013, the Group had certain property, plant and equipment and lease prepayments with an aggregate carrying value of approximately RMB465,491,000 (31 December 2012: RMB751,261,000), and bank deposits of RMB88,582,000 (31 December 2012: RMB20,570,000), which were pledged to secure the Group's borrowings and the bills payable 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

The Group employed 6,657 employees in total as at 30 June 2013 (31 December 2012: 5,887). 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.

Interim Dividend

The Board of Directors (the "Board") did not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

Other Information

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

During the current period, the Company repurchased, on The Stock Exchange of Hong Kong Limited (the "HKSE"), a total of 933,000 ordinary shares of the Company (the "Buyback Shares") at a price range of HK$2.92 to HK$2.99 per share. The aggregate consideration for the Buyback Shares is approximately HK$2,753,000, which was funded from internal resources of the Company. The Buyback Shares were validly cancelled on 4 July 2013.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on the HKSE. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the six months ended 30 June 2013 and all Directors confirmed that they have fully complied with the relevant requirements set out in the Model Code during the period.

AUDIT COMMITTEE

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

The Audit Committee met with the management and external auditor on 20 August 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 interim results for the six months ended 30 June 2013, which have been reviewed by the Group's external auditor, before proposing them to the Board for approval. The Audit Committee has reviewed the results announcement and the interim report of the Company for the six months ended 30 June 2013.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee with written terms of reference to consider for the remuneration for Directors and senior management of the Company and other related matters. The Remuneration Committee comprises Mr. 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. Ting Leung Huel, Stephen and Mr. Liu Yi were appointed as the members of the Nomination Committee.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee was established by the Board with written terms of reference with effect from 21 March 2013 to be responsible for the corporate governance of the Company and other related matters. Mr. Zhang Jianhong was appointed as the chairman of the Corporate Governance Committee and Mr. Liu Chuanqi and Dr. Wu Tao were appointed as the members of the Corporate Governance 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 six months ended 30 June 2013, 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 and Revised Code Provision A.2.1

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

SHARE OPTIONS

Share Option Scheme

Pursuant to the share option scheme approved by a written resolution of all shareholders of the Company on 16 November 2007 (the "Scheme"), the Company may grant to, among others, the Directors of the Company and employees of the Group, for the recognition of their contribution of the Group, options to subscribe for the Shares. According to the Scheme, the Board may, at its discretion, invite any eligible participants to take up options to subscribe for Shares of the Company, which when aggregated with any other share option scheme, shall not exceed 30% of the Shares in issue from time to time. The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other scheme must not, in aggregate, exceed 10% of the number of Shares in issue as at the Listing Date unless further shareholders' approval had been obtained pursuant to the conditions set out in the Scheme. The total number of Shares in issue and to be issued upon exercise of all option under the Scheme and any other schemes (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company.

The offer for the grant of options (the "Offer") must be taken up within 28 days from the date of Offer, with a payment of HK$1.00 as consideration. The exercise price of the share option will be determined at the highest of (i) the average closing prices of Shares as stated in the HKSE's daily quotations sheets for the five trading days immediately preceding the date of the Offer; (ii) the closing price of Shares as stated in the HKSE's daily quotations sheet on the date of the Offer; and (iii) the nominal value of the Shares. The total number of Shares which may fall to be issued under the Scheme and any other scheme must not, in aggregate, exceed 208,000,000 which represents 10% of the total issued share capital as at the Listing Date unless further shareholders' approval is obtained. The share options are exercisable at any time during a period of not more than 10 years from the date of grant, subject to the terms and conditions of the Scheme and any conditions of grant as may be stipulated by the Board. Unless terminated by the Company by resolution in general meeting, the Scheme shall be valid and effective for a period of 10 years from 16 November 2007.

As at 30 June 2013, particulars of the options granted to certain Directors and employees of the Group under the Scheme are set out below:

	Number of options								
Name or Category of participant	Balance as at 1 January 2013	Lapsed during the period	Reclassified during the period	Exercised during the period	Outstanding as at 30 June 2013	Exercise Price HK$	Date of Grant	Exercisable from	Exercisable until
Executive Directors:									
Mr. Zhang Jianhong									
Tranche 1	3,325,000	–	–	–	3,325,000	8.13	1 June 2011	1 June 2012	1 June 2016
Tranche 2	3,325,000	–	–	–	3,325,000	8.13	1 June 2011	1 June 2013	1 June 2016
Tranche 3	3,325,000	–	–	–	3,325,000	8.13	1 June 2011	1 June 2014	1 June 2016
Tranche 4	3,325,000	–	–	–	3,325,000	8.13	1 June 2011	1 June 2015	1 June 2016
Mr. Liu Chuanqi									
Tranche 1	3,375,000	–	–	–	3,375,000	8.13	1 June 2011	1 June 2012	1 June 2016
Tranche 2	3,375,000	–	–	–	3,375,000	8.13	1 June 2011	1 June 2013	1 June 2016
Tranche 3	3,375,000	–	–	–	3,375,000	8.13	1 June 2011	1 June 2014	1 June 2016
Tranche 4	3,375,000	–	–	–	3,375,000	8.13	1 June 2011	1 June 2015	1 June 2016
Mr. Cui Tongzheng									
Tranche 1	1,250,000	–	–	–	1,250,000	8.13	1 June 2011	1 June 2012	1 June 2016
Tranche 2	1,250,000	–	–	–	1,250,000	8.13	1 June 2011	1 June 2013	1 June 2016
Tranche 3	1,250,000	–	–	–	1,250,000	8.13	1 June 2011	1 June 2014	1 June 2016
Tranche 4	1,250,000	–	–	–	1,250,000	8.13	1 June 2011	1 June 2015	1 June 2016
Mr. Yan Jianhua									
Tranche 1	500,000	–	(500,000)	–	–	8.13	1 June 2011	1 June 2012	1 June 2016
Tranche 2	500,000	–	(500,000)	–	–	8.13	1 June 2011	1 June 2013	1 June 2016
Tranche 3	500,000	–	(500,000)	–	–	8.13	1 June 2011	1 June 2014	1 June 2016
Tranche 4	500,000	–	(500,000)	–	–	8.13	1 June 2011	1 June 2015	1 June 2016
Mr. Zhang Jian									
Tranche 1	50,000	–	–	–	50,000	8.13	1 June 2011	1 June 2012	1 June 2016
Tranche 2	50,000	–	–	–	50,000	8.13	1 June 2011	1 June 2013	1 June 2016
Tranche 3	50,000	–	–	–	50,000	8.13	1 June 2011	1 June 2014	1 June 2016
Tranche 4	50,000	–	–	–	50,000	8.13	1 June 2011	1 June 2015	1 June 2016
Employees:									
In aggregate									
Tranche 1	27,900,000	(150,000)	500,000	–	28,250,000	8.13	1 June 2011	1 June 2012	1 June 2016
Tranche 2	27,900,000	(150,000)	500,000	–	28,250,000	8.13	1 June 2011	1 June 2013	1 June 2016
Tranche 3	27,900,000	(150,000)	500,000	–	28,250,000	8.13	1 June 2011	1 June 2014	1 June 2016
Tranche 4	27,900,000	(150,000)	500,000	–	28,250,000	8.13	1 June 2011	1 June 2015	1 June 2016
	145,600,000	(600,000)	–	–	145,000,000				

The fair value of the share options granted under the Scheme were determined and measured using the Black-Scholes Option Pricing Model on 1 June 2011. The significant inputs into the model were the exercise price shown above, volatility of 64.65%, dividend yield of 3.68%, an expected option life of 3.5 to 5 years and on annual interest-free interest rates of 1.00%, 1.18%, 1.34% and 1.49%. As any changes in subjective input assumptions can materially affect the fair value estimates, in the opinion of professional appraiser, the valuation model for the share options granted does not necessarily provide a reliable single measure of the fair value of the share options.

The related accounting policy for the fair value of the share options are set out in the 2012 Annual Report of the Company.

DIRECTORS

The Directors during the six months ended 30 June 2013 and up to date of this report were:

Executive Directors
Mr. Zhang Jianhong *(Chairman and Chief Executive Officer)*
Mr. Fu Kwan
Mr. Liu Chuanqi *(President)*
Mr. Cui Tongzheng *(Vice President and Chief Financial Officer)*
Mr. Yan Jianhua (resigned on 21 March 2013)
Dr. Wu Tao (appointed on 21 March 2013)
Mr. Zhang Jian

Independent Non-Executive Directors
Mr. Ting Leung Huel, Stephen
Mr. Liu Yi
Mr. Yue Run Dong

DIRECTOR'S RIGHTS TO ACQUIRE SHARES

Other than as disclosed in the section headed "Share Options" in this report, at no time during the six months ended 30 June 2013 was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors, their respective spouse or minor children to acquire benefit by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

DISCLOSURE OF INTERESTS

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

As at 30 June 2013, the interests or short positions of the Directors and the chief executive of the Company and their respective associates in the Shares, underlying Shares and debentures of the Company or its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the HKSE pursuant to the Model Code were as follows:

Name of Director	Nature of interest	Number of Shares or underlying Shares	% of issued share capital
Mr. Zhang Jianhong	Corporate interest[1]	166,551,273 (L)	7.85 (L)
	Beneficial interest	20,447,636 (L)	0.96 (L)
Mr. Fu Kwan	Corporate interest[2]	609,646,818 (L)	28.75 (L)
Mr. Cui Tongzheng	Corporate interest[3]	156,852,363 (L)	7.40 (L)
	Beneficial interest	10,162,180 (L)	0.48 (L)
Mr. Liu Chuanqi	Corporate interest[4]	87,360,000 (L)	4.12 (L)
	Beneficial interest	19,853,454 (L)	0.94 (L)
Dr. Wu Tao	Beneficial interest	85,000 (L)	0.004 (L)
Mr. Zhang Jian	Beneficial interest	597,091 (L)	0.03 (L)

Notes:

1. Pursuant to the SFO, as Mr. Zhang Jianhong holds 100% interest in Dongyue Team Limited, Mr. Zhang is deemed to be interested in the 166,551,273 Shares(L) held by Dongyue Team Limited.

2. These Shares are directly held by Macro-Link International Investment Co. Ltd. ("Macrolink International") which in turn is wholly owned by Macro-Link Industrial Investment Limited ("Macrolink Industrial"). Macro-Link Holding Limited ("Macrolink Holding"), a company owned by Xi Zang Cheung Shek Investment Limited ("Xi Zang Cheung Shek") as to 75% and by Mr. Fu Kwan as to 10.63%, respectively, wholly owns Macrolink Industrial. In addition, Mr. Fu Kwan and Mr. Xiao Wenhui directly own Xi Zang Cheung Shek as to 53.35% and 33.33%, respectively.

3. Pursuant to the SFO, as Mr. Cui Tongzheng holds 100% interest in Dongyue Initiator Limited, Mr. Cui is deemed to be interested in the 156,852,363 Shares(L) held by Dongyue Initiator Limited.

4. These Shares are held by Dongyue Wealth Limited which is wholly owned by Mr. Liu Chuanqi. Mr. Liu is deemed to be interested in the 87,360,000 Shares(L) held by Dongyue Wealth Limited under the SFO.

5. L: Long Position

Save as disclosed above, as at 30 June 2013, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the HKSE pursuant to the Model Code.

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

As at 30 June 2013, so far as is known to the Directors and the chief executive of the Company, the following persons (other than the Directors or the chief executive of the Company) had an interest or a short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of interest	Number of Shares or underlying Shares	% of issued share capital
Macrolink International	Beneficial interest[1]	609,646,818 (L)	28.75 (L)
Macrolink Industrial	Corporate interest[1]	609,646,818 (L)	28.75 (L)
Macrolink Holding	Corporate interest[1]	609,646,818 (L)	28.75 (L)
Xi Zang Cheung Shek	Corporate interest[1]	609,646,818 (L)	28.75 (L)
Mr. Xiao Wenhui	Corporate interest[1]	609,646,818 (L)	28.75 (L)
Dongyue Team Limited	Beneficial interest[2]	166,551,273 (L)	7.85 (L)
Dongyue Initiator Limited	Beneficial interest[3]	156,852,363 (L)	7.40 (L)
JP Morgan Chase & Co.	Investment manager	72,929,950 (L)	3.44 (L)
	Custodian corporation/ Approved leading agent	74,814,390 (L)	3.53 (L)

Notes:

1. These Shares are directly held by Macrolink International which in turn is wholly owned by Macrolink Industrial. Macrolink Holding, a company owned by Xi Zang Cheung Shek as to 75% and by Mr. Fu Kwan as to 10.63%, respectively, wholly owns Macrolink Industrial. In addition, Mr. Fu Kwan and Mr. Xiao Wenhui directly own Xi Zang Cheung Shek as to 53.35% and 33.33%, respectively.

2. Pursuant to the SFO, as Mr. Zhang Jianhong holds 100% interest in Dongyue Team Limited, Mr. Zhang is deemed to be interested in the 166,551,273 Shares(L) held by Dongyue Team Limited.

3. Pursuant to the SFO, as Mr. Cui Tongzheng holds 100% interest in Dongyue Initiator Limited, Mr. Cui is deemed to be interested in the 156,852,363 Shares(L) held by Dongyue Initiator Limited.

4. L: Long Position

(c) Interests in other members of the Group as at 30 June 2013

Name of the Company's subsidiary	Name of substantial shareholder of such subsidiary	Nature of interest	% of issued share capital/registered capital of such subsidiary
Shandong Dongyue Fluo-Silicon Materials Co., Ltd. ("Dongyue F & S")	Shandong Hi Tech Investment Co., Ltd.	Corporate	16.78
Zibo Dongyue Lvyuan Co., Ltd.	Shandong Hi Tech Investment Co., Ltd.[1]		
Inner Mongolia Dongyue Peak Fluorine Chemicals Co., Ltd.	Chifeng Peak Copper Co., Ltd.	Corporate	49
Chifeng HuaSheng Mining Co., Ltd.	Chifeng Peak Copper Co., Ltd.	Corporate	20
Dongying Dongyue Salt Co., Ltd. ("Dongying Dongyue Salt")	Macro-Link Asset Investment Co., Ltd	Corporate	40
Dongying Dongyue Precision Chemicals Co., Ltd.	Macro-Link Asset Investment Co., Ltd.[2]		
Shandong Dongyue Wen He Fluorine Chemicals Co., Ltd.	Shandong Lai Wu Wen He Chemicals Co., Ltd.	Corporate	49

Notes:

1. Shandong Hi Tech Investment Co., Ltd. is a 16.78% equity holder in Dongyue F & S which, in turn, owns 100% of Zibo Dongyue Lvyuan Co., Ltd. Consequently, Shandong Hi Tech Investment Co. Ltd. indirectly owns more than 10% of Zibo Dongyue Lvyuan Co., Ltd.

2. Macro-Link Asset Investment Co., Ltd. is a 40% equity holder in Dongying Dongyue Salt which, in turn, owns 75% of Dongying Dongyue Precision Chemicals Co., Ltd., with the remaining 25% owned by the Company. Consequently, Macro-Link Asset Investment Co., Ltd. indirectly owns more than 10% of Dongying Dongyue Precision Chemicals Co., Ltd..

Save as disclosed above, so far as is known to the Directors and the chief executive of the Company, as at 30 June 2013, no other person (other than the Directors or the chief executive of the Company) had any interest or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, dire ctly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF DONGYUE GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Dongyue Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 20 to 38, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 August 2013

Condensed Consolidated Statement of Proft or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

	Notes	Six months ended **30.6.2013** **RMB'000** **(unaudited)**	 30.6.2012 RMB'000 (unaudited)
Revenue	3	**3,195,844**	3,636,987
Cost of sales		**(2,684,017)**	(2,650,160)
Gross profit		**511,827**	986,827
Other income	4	**94,563**	59,222
Distribution and selling expenses		**(118,368)**	(99,713)
Administrative expenses		**(149,143)**	(192,444)
Research and development expenses		**(30,072)**	(20,794)
Finance costs		**(63,477)**	(68,941)
Share of results of associates		**168**	(27)
Profit before tax		**245,498**	664,130
Income tax expense	5	**(55,159)**	(229,754)
Profit and total comprehensive income for the period	6	**190,339**	434,376
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**211,711**	432,675
Non-controlling interests		**(21,372)**	1,701
		190,339	434,376
Earnings per share	8		
Basic and diluted (RMB)		**0.10**	0.20

Condensed Consolidated Statement of Financial Position

At 30 June 2013

	Notes	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	4,498,196	4,121,444
Prepayment for purchase of property, plant and equipment		53,390	48,488
Prepayment for land lease		91,117	495
Prepaid lease payments	10	481,898	379,533
Intangible assets		184,581	84,475
Interests in associates	11	16,761	1,593
Available-for-sale investments		118,178	118,178
Deferred tax assets		154,330	116,221
Goodwill	21	85,894	1,354
		5,684,345	4,871,781
Current assets			
Inventories		595,256	524,926
Properties under development for sale		401,701	372,884
Prepaid lease payments	10	12,433	10,909
Trade and other receivables	12	1,108,940	894,191
Entrusted loans	13	701,000	400,000
Pledged bank deposits		88,582	20,570
Bank balances and cash		834,348	1,682,728
		3,742,260	3,906,208
Current liabilities			
Trade and other payables	14	1,733,818	1,325,490
Borrowings	15	708,557	774,302
Tax liabilities		37,475	63,063
Deferred income		11,381	8,256
		2,491,231	2,171,111
Net current assets		1,251,029	1,735,097
Total assets less current liabilities		6,935,374	6,606,878

	Notes	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Capital and reserves			
Share capital	16	201,037	201,111
Reserves		4,785,469	4,747,204
Equity attributable to the owners of the Company		4,986,506	4,948,315
Non-controlling interests		247,279	278,543
Total equity		5,233,785	5,226,858
Non-current liabilities			
Deferred income		233,807	199,613
Deferred tax liabilities		43,566	42,611
Borrowings	15	1,424,216	1,137,796
		1,701,589	1,380,020
		6,935,374	6,606,878

Zhang Jianhong
Director

Cui Tongzheng
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Merger reserve RMB'000 (Note a)	Capital reserve RMB'000 (Note b)	Statutory surplus reserve RMB'000 (Note c)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2012 (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 period	–	–	–	–	–	–	432,675	432,675	1,701	434,376
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	9,800	9,800
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(17,472)	(17,472)
Dividends paid (note 7)	–	–	–	–	–	–	(690,876)	(690,876)	–	(690,876)
Recognition of equity-settled shared-based payments	–	–	91,402	–	–	–	–	91,402	–	91,402
Balance at 30 June 2012 (unaudited)	201,111	1,238,838	219,180	(32,210)	101,098	497,046	2,391,226	4,616,289	286,237	4,902,526
Balance at 1 January 2013 (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**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**211,711**	**211,711**	**(21,372)**	**190,339**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(9,892)**	**(9,892)**
Dividends paid (note 7)	**–**	**–**	**–**	**–**	**–**	**–**	**(219,428)**	**(219,428)**	**–**	**(219,428)**
Recognition of equity-settled shared-based payments	**–**	**–**	**48,099**	**–**	**–**	**–**	**–**	**48,099**	**–**	**48,099**
Shares repurchased (note 16)	**(74)**	**(2,117)**	**–**	**–**	**–**	**–**	**–**	**(2,191)**	**–**	**(2,191)**
Balance at 30 June 2013 (unaudited)	**201,037**	**1,236,721**	**318,924**	**(32,210)**	**101,098**	**627,139**	**2,533,797**	**4,986,506**	**247,279**	**5,233,785**

Notes:

(a) Merger reserve arose in group reorganisation completed in 2006.

(b) On 16 November 2007, the Company repurchased all of the 275,000,000 previously issued ordinary shares of US$0.1 each and these repurchased ordinary shares were cancelled with all of the authorised but unissued share capital as of that date. On the same date, the authorised share capital was increased to HK$400,000,000 by the creation of 4,000,000,000 new ordinary shares of HK$0.1 each. 275,000,000 new ordinary shares of HK$0.1 each were then issued to the shareholders existing on 15 November 2007. The excess of the repurchased amount over the nominal amount of new shares issued was credited directly to the capital reserve.

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

(c) In accordance with the Company Law of People's Republic of China ("PRC") and the relevant Articles of Association, the PRC subsidiaries of the Company are required to appropriate amount equal to 10% of their profit after taxation as determined in accordance with the PRC accounting standards to the statutory surplus reserve.

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Notes	Six months ended 30.6.2013 RMB'000 (unaudited)	30.6.2012 RMB'000 (unaudited)
Net cash from operating activities		**492,017**	1,040,319
Net cash used in investing activities:			
Interest received		**49,579**	46,957
Purchase of property, plant and equipment		**(311,111)**	(289,810)
Prepayment for prepaid lease payments		**(169,212)**	(65,733)
Purchase of available-for sale investments		**—**	(37,672)
Entrusted loans to third parties		**(626,000)**	(230,000)
Repayment of entrusted loans from third parties		**325,000**	53,000
Cash outflow from additional capital contribution to an associate	11	**—**	(490)
Cash outflow from capital injection in an associate	11	**(15,000)**	—
Net cash outflow from acquisition of a subsidiary	21	**(445,894)**	—
Placement of pledged bank deposits		**(77,212)**	(51,335)
Withdraw of pledged bank deposits		**65,700**	8,500
Proceeds from disposal of property, plant and equipment		**1,298**	104
Purchase of intangible assets		**(4,059)**	(24)
		(1,206,911)	(566,503)
Net cash used in financing activities:			
Proceeds from borrowings		**740,000**	520,513
Repayments of borrowings		**(641,975)**	(690,280)
Capital contribution from non-controlling interest		**—**	9,800
Payment on repurchase of shares		**(2,191)**	—
Dividends paid		**(219,428)**	(690,876)
Dividends paid to non-controlling interests		**(9,892)**	(17,472)
		(133,486)	(868,315)
Net decrease in cash and cash equivalents		**(848,380)**	(394,499)
Cash and cash equivalents at 1 January		**1,682,728**	1,509,280
Cash and cash equivalents at 30 June, represented by Bank balances and cash		**834,348**	1,114,781

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and the methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board:

IFRS 10	Consolidated Financial Statements;
IFRS 11	Joint Arrangements;
IFRS 12	Disclosure of Interests in Other Entities;
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance;
IFRS 13	Fair Value Measurement;
IAS 19 (as revised in 2011)	Employee Benefits;
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures;
Amendments to IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities;
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income;
Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle; and
IFRIC-Int 20	Stripping Costs in the Production Phase of a Surface Mine.

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

In the current interim period, the Group has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transactional guidance. IAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements. The impact of the application of IFRS 10 is set out below.

Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and IFRIC – Int 12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. The directors assess the application of IFRS 10 and conclude that the Group has had control over the investee which are consolidated into the condensed consolidated financial statements before the application of IFRS 10. Accordingly, the application of the adoption of IFRS 10 has had no material impact on the amounts reported in this condensed consolidated interim financial information.

2. PRINCIPAL ACCOUNTING POLICIES

Amendments to IAS 1 *Presentation of items of Other Comprehensive Income*

The amendments to IAS 1 introduce new terminology for statement of comprehensive income. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 required additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or 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 do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

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

3. SEGMENT INFORMATION

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

Six months ended 30 June 2013

	Refrigerants RMB'000	Polymers RMB'000	Organic silicone RMB'000	Certified Emission Reduction ("CER") RMB'000	Dichloromethane, polyvinyl chloride and liquid alkali RMB'000	Reportable and operating segments' total RMB'000	Other operations RMB'000	Eliminations RMB'000	Total RMB'000
External sales	1,004,103	984,190	659,336	48,554	428,579	3,124,762	71,082	–	3,195,844
Inter-segment sales	468,957	–	2,816	–	26,640	498,413	206,827	(705,240)	–
Total revenue-segment revenue	1,473,060	984,190	662,152	48,554	455,219	3,623,175	277,909	(705,240)	3,195,844
SEGMENT RESULTS	25,091	295,890	23,250	49,047	(36,221)	357,057	2,416	–	359,473

Reconciliation of segment results to consolidated profit before tax for the period:

Unallocated corporate expenses	(55,968)
Unallocated other income	5,302
Finance costs	(63,477)
Share of results of associates	168
Profit before tax	245,498

3. SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2012

	Refrigerants RMB'000	Polymers RMB'000	Organic silicone RMB'000	CER RMB'000	Dichloromethane, polyvinyl chloride and liquid alkali RMB'000	Reportable and operating segments' total RMB'000	Other operations RMB'000	Eliminations RMB'000	Total RMB'000
External sales	1,354,868	1,034,700	558,010	106,273	556,466	3,610,317	26,670	–	3,636,987
Inter-segment sales	655,555	–	2,427	–	50,098	708,080	198,443	(906,523)	–
Total revenue-segment revenue	2,010,423	1,034,700	560,437	106,273	606,564	4,318,397	225,113	(906,523)	3,636,987
SEGMENT RESULTS	271,873	497,352	(41,638)	77,827	52,449	857,863	(26,462)	–	831,401

Reconciliation of segment results to consolidated profit before tax for the period:

Unallocated corporate expenses	(101,151)
Unallocated other income	2,848
Finance costs	(68,941)
Share of result of an associate	(27)
Profit before tax	664,130

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment results represent the result of each segment without allocation of unallocated other income (solely represented the dividend income from available-for-sale investments), central administration costs, directors' salaries, share of results of associates and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment. No segment information on assets and liabilities is presented as such information is not reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

4. OTHER INCOME

	Six months ended 30.6.2013 RMB'000 (unaudited)	30.6.2012 RMB'000 (unaudited)
Government grants	**8,330**	5,694
Bank deposits interest income	**5,595**	8,406
Interest income on entrusted loans	**43,984**	38,551
Dividend income from available-for-sale investments	**5,302**	2,848
Others (Note)	**31,352**	3,723
	94,563	59,222

Note: Included an amount of compensation received from an independent third party on Shandong Dongyue HFC-23 Decomposition Project ("CDM Project") amounting to approximately RMB24,869,000 due to its failure to fulfil its obligation as stated in the agreement in accordance with the contractual agreement entered into by the Group with the independent third party (six months ended 30 June 2012: nil).

5. INCOME TAX EXPENSE

	Six months ended 30.6.2013 RMB'000 (unaudited)	30.6.2012 RMB'000 (unaudited)
Current PRC Enterprise Income Tax	**(81,844)**	(202,934)
Deferred tax:		
— withholding tax for distributable profits of PRC subsidiaries	**(6,351)**	(13,307)
— others	**33,036**	(13,513)
	26,685	(26,820)
Total income tax expense	**(55,159)**	(229,754)

Note: According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui [2008] No. 1, dividend distributed out of the profits generated since 1 January 2008 held by the PRC entity shall be subject to Enterprise Income Tax pursuant to Articles 3 and 27 of the Income Tax Law concerning Foreign Investment Enterprises and Foreign Enterprises and Article 91 of the Details Rules for the Implementation of the Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

6. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging the following items:

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cost of inventories recognised as expenses	**2,684,017**	2,650,160
Depreciation of property, plant and equipment	**307,982**	272,025
Release of prepaid lease payments	**6,001**	5,276
Amortisation of intangible assets (included in cost of sales)	**3,546**	427
Loss on disposal of property, plant and equipment	**144**	62
Net foreign exchange losses	**6,535**	1,632

7. DIVIDENDS

During the current interim period, a final dividend of HK$0.130 per share in respect of the year ended 31 December 2012 (six months ended 30 June 2012: HK$0.400 per share in respect of the year ended 31 December 2011) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to HK$275,672,000, equivalent RMB219,428,000 (six months ended 30 June 2012: HK$848,221,000, equivalent RMB690,876,000).

The directors determined not to make interim dividend for the six months ended 30 June 2013 and 2012.

8. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings for the purposes of basic earnings and diluted earnings per share	**211,711**	432,675

	Number of shares Six months ended	
	30.6.2013	30.6.2012
	'000	'000
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**2,120,525**	2,120,552

The computation of diluted earnings per share for the six months ended 30 June 2012 and 2013 does not assume the exercise of the Company's outstanding share options granted on 1 June 2011 because the corresponding exercise prices of these share options were higher than the average market price of the shares during the six months ended 30 June 2012 and 2013.

9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the addition of property, plant and equipment is approximately RMB301,691,000 (six months ended 30 June 2012: RMB231,880,000) for the expansion of its operations relating to refrigerants, polymers and organic silicone.

10. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments are analysed for reporting purpose as follows:

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Analysed for reporting purposes as:		
Current portion	**12,433**	10,909
Non-current portion	**481,898**	379,533
	494,331	390,442

The amounts represent the medium-term land use rights situated in the PRC for a period of 20 to 50 years.

The Group is in the process of obtaining the land use right certificate for the medium-term leasehold land in respect of prepaid lease payments of RMB91,117,000 (31 December 2012: RMB495,000).

The Group has prepaid lease payments with the aggregate carrying amount of approximately RMB65,434,000 (31 December 2012: RMB66,438,000) to secure bank loans of the Group.

11. INTERESTS IN ASSOCIATES

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Cost of investment in associates unlisted in the PRC	**16,470**	1,470
Share of post-acquisition profits, net of dividends received	**291**	123
	16,761	1,593

Note: On 18 February 2011, Inner Mongolia Dongyue Peak Fluorine Chemicals Co. Ltd., a subsidiary of the Company, entered into an agreement with an independent third party to establish Chifeng North Dongyue New Material Development Co., Ltd ("North Dongyue"), which is engaged in sale of chemical products. During the year ended 31 December 2012, North Dongyue increased its registered capital from RMB2,000,000 to RMB3,000,000 and the Group injected an additional capital of RMB490,000 in North Dongyue in proportion to its equity interest. As at 30 June 2013, the Group holds 49% (2012: 49%) equity interest in North Dongyue and accounts for the investment as interest in an associate.

On 15 February 2013, Shandong Dongyue Chemicals Co., Ltd., a subsidiary of the Company, entered into an agreement with an independent third party to establish Zibo Qilu Equity Investment Co., Ltd ("Qilu Investment") with a registered capital of RMB50,000,000, which is an equity investments holding company and the entity is not commencing its business since its establishment. The Group holds 40% equity interest in Qilu Investment with investment cost of RMB20,000,000 and accounts for the investment as interest in an associate. During the period ended 30 June 2013, the Group paid the first instalment of registered capital of RMB15,000,000 and the remaining RMB5,000,000 is payable before 19 February 2015. Details of the capital commitment referred to note 18.

12. TRADE AND OTHER RECEIVABLES

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Trade receivables	1,007,536	798,764
Less: allowance for doubtful debts	(8,334)	(8,304)
	999,202	790,460
Prepayment for raw materials	69,170	59,230
Value added tax recoverable	20,246	34,096
Deposits and other receivables	20,322	10,405
	1,108,940	894,191

Included in the trade receivables are bills receivable amounting to RMB461,689,000 (31 December 2012: RMB453,327,000).

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

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Within 90 days	629,687	582,142
91-180 days	350,172	192,914
181-365 days	19,343	15,404
	999,202	790,460

13. ENTRUSTED LOANS

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Entrusted loans (Note)	701,000	400,000

Note: The balances as at 30 June 2013 represent entrusted loans to several independent third parties amounting to RMB701,000,000(31 December 2012: RMB400,000,000), which include unsecured balances of RMB601,000,000 (31 December 2012: RMB300,000,000) and secured by unlisted shares in a private entity in the PRC of RMB100,000,000 (31 December 2012: RMB100,000,000). The entrusted loans bear fixed interest ranging from 10.2% to 12% (2012: 10.2% to 12%) per annum with maturity of one year.

14. TRADE AND OTHER PAYABLES

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Trade payables	**954,962**	590,809
Receipt in advance from customers	**89,967**	60,254
Payroll payable	**257,382**	288,288
Payable for CDM project (Note a)	**26,764**	146,047
Payable for property, plant and equipment	**147,407**	148,476
Other tax payables	**19,787**	17,211
Withholding individual income tax payable in connection with the acquisition of a subsidiary (Note b)	**104,400**	—
Deposits received	**69,762**	—
Other payables and accruals	**63,387**	74,405
Total	**1,733,818**	1,325,490

Notes:

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

b) Under the Individual Income Tax of the PRC, the amount represented the Group's obligation to withhold 20% income tax, which is levied on equity transfer from individual shareholder of Shandong Huaxia Shenzhou New Material Company Limited ("Huaxia Shenzhou") (details of the acquisition of a subsidiary referred to note 21).

Included in the trade payables are bills payable amounting to RMB309,552,000 (31 December 2012: RMB30,730,000). Bills payable were secured by the Group's pledged bank deposits.

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

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Within 30 days	**606,749**	423,757
31-90 days	**125,055**	70,257
91-180 days	**185,953**	62,326
181-365 days	**21,349**	15,724
1-2 years	**4,746**	8,678
More than 2 years	**11,110**	10,067
	954,962	590,809

15. BORROWINGS

During the period, the Group obtained new loans amounting to approximately RMB740,000,000 (six months ended 30 June 2012: RMB520,513,000). The loans carry interest at variable market rates promulgated by the People's Bank of China Benchmark Interest Rate.

As at 30 June 2013, bank borrowings of RMB84,730,000 (31 December 2012: RMB140,725,000) were secured by the Group's building and plant and equipment with the aggregate carrying amount of approximately RMB199,400,000 (31 December 2012: RMB477,911,000).

As at 30 June 2013, secured other loan made by a financial institution represents borrowing of US$19,688,000 (equivalent RMB121,643,000) (31 December 2012: US$22,550,000 (equivalent RMB141,424,000)), which was secured by the Group's building and plant and equipment with the aggregate carrying amount of approximately RMB200,657,000 (31 December 2012: RMB206,912,000) and prepaid lease payments with carrying amount of approximately RMB65,434,000 (31 December 2012: RMB66,438,000).

16. SHARE CAPITAL

	Number of shares '000	Share capital RMB'000
Ordinary shares of HK$0.1 each		
Authorised:		
As at 1 January, 30 June 2012, 1 January and 30 June 2013	4,000,000	382,200
Issued and fully paid:		
At 1 January 2012 and at 30 June 2012 and 1 January 2013	2,120,552	201,111
Shares repurchased (Note)	(933)	(74)
As at 30 June 2013	2,119,619	201,037

Note: During the six months ended 30 June 2013, the Company repurchased certain of its own shares through The Stock Exchange of Hong Kong Limited. The aggregate price paid for the repurchases amounted to HK$2,753,000, equivalent RMB2,191,000. None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during this period.

17. SHARE-BASED PAYMENTS

The Company's Pre-IPO Share Option Scheme and Share Option Scheme (the "Schemes") were adopted pursuant to a resolution passed on 16 November 2007 for the primary purpose of providing incentives to directors and eligible employees. Under the Schemes, the board of directors of the Company may grant options to eligible employees, including directors and employees of the Company and its subsidiaries, to subscribe for shares in the Company.

Details of specific categories of options are as follows:

Share Option Scheme:

Option type	Date of grant	Vesting period	Exercise period	Exercise price	Fair value at grant date
Option to directors					
Option A	01/06/2011	01/06/2011 to 01/06/2012	01/06/2012 to 01/06/2016	HK$8.13	HK$3.067
Option B	01/06/2011	01/06/2011 to 01/06/2013	01/06/2013 to 01/06/2016	HK$8.13	HK$3.201
Option C	01/06/2011	01/06/2011 to 01/06/2014	01/06/2014 to 01/06/2016	HK$8.13	HK$3.314
Option D	01/06/2011	01/06/2011 to 01/06/2015	01/06/2015 to 01/06/2016	HK$8.13	HK$3.411
Option to other employees					
Option E	01/06/2011	01/06/2011 to 01/06/2012	01/06/2012 to 01/06/2016	HK$8.13	HK$3.067
Option F	01/06/2011	01/06/2011 to 01/06/2013	01/06/2013 to 01/06/2016	HK$8.13	HK$3.201
Option G	01/06/2011	01/06/2011 to 01/06/2014	01/06/2014 to 01/06/2016	HK$8.13	HK$3.314
Option H	01/06/2011	01/06/2011 to 01/06/2015	01/06/2015 to 01/06/2016	HK$8.13	HK$3.411

17. SHARE-BASED PAYMENTS (CONTINUED)

The following table discloses the movement of the share options during the six months ended 30 June 2013:

Option type	Outstanding at 31.12.2012 '000	Granted '000	Exercised '000	Forfeited '000	Outstanding at 30.06.2013 '000
Option A	8,500	—	—	—	**8,500**
Option B	8,500	—	—	—	**8,500**
Option C	8,500	—	—	—	**8,500**
Option D	8,500	—	—	—	**8,500**
Option E	27,900	—	—	(150)	**27,750**
Option F	27,900	—	—	(150)	**27,750**
Option G	27,900	—	—	(150)	**27,750**
Option H	27,900	—	—	(150)	**27,750**
	145,600	—	—	(600)	**145,000**

The following table discloses the movement of the share options during the six months ended 30 June 2012:

Option type	Outstanding at 31.12.2011 '000	Granted '000	Exercised '000	Forfeited '000	Outstanding at 30.06.2012 '000
Option A	8,500	—	—	—	8,500
Option B	8,500	—	—	—	8,500
Option C	8,500	—	—	—	8,500
Option D	8,500	—	—	—	8,500
Option E	28,450	—	—	(300)	28,150
Option F	28,450	—	—	(300)	28,150
Option G	28,450	—	—	(300)	28,150
Option H	28,450	—	—	(300)	28,150
	147,800	—	—	(1,200)	146,600

The Group recognised the expenses of approximately RMB48,099,000 for the six months ended 30 June 2013 (six months ended 30 June 2012: RMB91,402,000), which is included in administrative expenses, in relation to share options granted by the Company.

18. COMMITMENTS

At the end of the reporting date, the Group had outstanding commitments as follows:

	30.6.2012 RMB'000 (unaudited)	31.12.2011 RMB'000 (audited)
Capital commitments:		
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**60,091**	54,939
Capital expenditure in respect of acquisition of equity investments contracted for but not provided in the condensed consolidated financial statements (Note)	**37,072**	37,713
Capital expenditure in respect of acquisition of mining rights contracted for but not provided in the condensed consolidated financial statements	**4,248**	—
Capital expenditure in respect of capital contribution of interest in an associate contracted for but not provided in the condensed consolidated financial statements (note 11)	**5,000**	—
Other commitment:		
Construction commitment contracted in respect of properties under development for sale contracted for but not provided in the condensed consolidated financial statements	**175,113**	201,087
	281,524	293,739

Note: Shandong Peninsula Ocean Blue Economic Investment Co., Ltd. ("SPOBE") is a private entity that was incorporated in the Cayman Islands. During 2011, the Company entered into a subscription agreement with SPOBE to subscribe 20,000,000 shares in SPOBE. As at 30 June 2013 and 31 December 2012, the Company has subscribed 14,000,000 shares (which was contributed in accordance with each investor's equity interests in SPOBE) for the consideration of US$14,000,000 (equivalent to approximately RMB89,401,000) which represents 18.18% (2012: 18.18%) equity interests in SPOBE. After the share placing and allotment, the equity interest held by the Company remained unchanged at 18.18%. The acquisition of the remaining 6,000,000 shares will take place upon receipt of notice from the major shareholders of SPOBE.

The Group's 18.18% interest in SPOBE is accounted for as available-for-sale investment and is measured at cost less impairment because the range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

19. LEASE COMMITMENTS

At the end of the reporting date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Within one year	**5,627**	6,330
In the second to fifth years inclusive	**22,385**	24,633
Over five years	**62,612**	71,991
	90,624	102,954

20. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term employee benefits	**1,377**	16,765
Post-employment benefits	**10**	7
Share-based payments	**15,841**	30,675
	17,228	47,447

21. ACQUISITION OF A SUBSIDIARY

On 21 February 2013, a wholly-owned subsidiary of the Company acquired a 100% interest in Huaxia Shenzhou from independent third parties for the expansion of the Group's Polymers business in the PRC. Huaxia Shenzhou is principally engaged in the business of the production and sale of a variety of fluoropolymer fine chemicals, which is related to the reportable and operating segment of "Polymers" of the Group.

Consideration transferred

	RMB'000
Cash	590,000

Acquisition-related costs amounting to RMB500,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in the period and included in the 'administrative expenses' line item in the condensed consolidated statement of profit or loss and other comprehensive income.

Assets and liabilities recognised at the date of acquisition (determine on a provisional basis)

	RMB'000
Property, plant and equipment	384,485
Prepayment for purchase of property, plant and equipment	4,055
Prepaid lease payments – non-current portion	30,339
Intangible assets	99,593
Deferred tax assets	12,313
Bank balances and cash	39,706
Trade and other receivables	144,809
Inventories	80,312
Prepaid lease payments – current portion	961
Pledged bank deposits	56,500
Trade and other payables	(156,812)
Tax liabilities	(6,853)
Borrowings	(122,650)
Deferred income	(34,288)
Deferred tax liability	(27,010)
	505,460

The fair value of trade and other receivables at the date of acquisition amounted to RMB144,809,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB144,809,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows expected to be collected is RMB144,809,000.

21. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Goodwill arising on acquisition (determine on a provisional basis)

	RMB'000
Consideration transferred	590,000
Less: recognised amount of identifiable net assets acquired (100%)	(505,460)
Goodwill arising on acquisition	84,540

The property, plant and equipment, prepaid lease payments and intangible assets recognised at the date of acquisition are determined based on provisional basis as the valuation report is not yet finalised at the end of the reporting period.

Goodwill arose on the acquisition of Huaxia Shenzhou because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Huaxia Shenzhou. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identified intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

	RMB'000
Consideration paid in cash	590,000
Less: Cash and cash equivalent balances acquired	(39,706)
Payable for withholding individual income tax	(104,400)
	445,894

Impact of acquisition on the results of the Group

Included in the profit for the six months ended 30 June 2013 is RMB50,819,000 attributable to Huaxia Shenzhou. Revenue for the interim period includes RMB243,870,000 which is attributable to Huaxia Shenzhou.

Had the acquisition of Huaxia Shenzhou been effected at the beginning of the six months ended 30 June 2013, the total amount of revenue of the Group from continuing operations for the six months ended 30 June 2013 would have been RMB3,269,630,000 and the amount of the profit for the six months ended 30 June 2013 from continuing operations would have been RMB202,635,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is it intended to be a projection of future results.

In determining the 'proforma' revenue and profit of the Group had Huaxia Shenzhou been acquired at the beginning of the interim period, the directors calculated depreciation and amortisation of property, plant and equipment and intangible assets based on the recognised amounts of property, plant and equipment and intangible assets at the date of the acquisition.

22. SEASONALITY

Sales of refrigerants are affected by seasonality. The period from March to July is generally the peak season of sales of refrigerants due to the higher temperature in the PRC. Sales of refrigerants in the first quarter of the year is usually the lowest during the whole year due to the lower temperature in the PRC, the New Year's holiday, the Chinese spring holiday and annual inspection on production facilities. Other products generally are not affected by seasonality factors.

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