DONGYUE FEDERATION

DONGYUE GROUP LIMITED
東岳集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 189)

(1) ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR 2019 AND (2) CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS
(in RMB million, unless otherwise stated)

	Financial Year ended 31 December	
	2019	2018
Revenue	**12,959**	14,219
Gross Profit	**3,446**	4,532
Gross Profit Margin	**26.59%**	31.87%
Profit before Tax	**2,120**	3,235
Profit for the year	**1,742**	2,435
Profit for the year attributable to the Shareholders	**1,463**	2,129
Basic Earnings per Share (RMB)	**0.70**	1.00
Final Dividend per Share (HK$)	**0.23**	0.35

	As at	
	31 December 2019	31 December 2018
Total Equity	**8,956**	9,392
Net Assets per Share (RMB)	**4.28**	4.45

(1) Announcement of Annual Results for 2019

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

The following is the extract of the independent auditor's report from Elite Partners CPA Limited, the external auditor of Dongyue Group Limited (the "Company") on the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019:

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	4	**12,958,692**	14,218,937
Cost of sales		**(9,512,770)**	(9,687,291)
Gross profit		**3,445,922**	4,531,646
Other income	5	**138,523**	119,209
Distribution and selling expenses		**(366,263)**	(358,726)
Administrative expenses		**(665,666)**	(782,735)
Other expenses		**(2,446)**	–
Research and development expenses		**(329,242)**	(177,360)
Finance costs	6	**(100,528)**	(97,135)
Profit before tax		**2,120,300**	3,234,899
Income tax expense	7	**(378,019)**	(800,200)
Profit for the year	8	**1,742,281**	2,434,699
Profit attributable to:			
– Owners of the Company		**1,462,974**	2,129,098
– Non-controlling interests		**279,307**	305,601
		1,742,281	2,434,699
Other comprehensive expense			
Item that will not be reclassified to profit or loss:			
Fair value loss on investments on equity instruments at fair value through other comprehensive income		**(1,119,292)**	(52,902)
Total comprehensive income for the year		**622,989**	2,381,797
Total comprehensive income for the year attributable to:			
– Owners of the company		**343,682**	2,076,196
– Non-controlling interests		**279,307**	305,601
		622,989	2,381,797
Earnings per share	9		
– Basic (RMB)		**0.70**	1.00
– Diluted (RMB)		**0.70**	1.00

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current Assets			
Property, plant and equipment		**4,608,674**	3,860,200
Right-of-use assets		**690,518**	–
Prepayments for purchase of property, plant and equipment		**172,027**	89,160
Prepaid lease payments		**–**	535,564
Intangible assets		**70,202**	82,237
Equity instruments at fair value through other comprehensive income	*11*	**668,708**	1,801,394
Deferred tax assets		**53,984**	213,741
Goodwill		**123,420**	123,420
		6,387,533	6,705,716
Current Assets			
Inventories		**981,472**	1,106,721
Properties for sale		**2,605,832**	3,033,638
Prepaid lease payments		**–**	15,766
Trade and other receivables	*12*	**1,703,469**	1,967,730
Pledged bank deposits		**309,241**	363,133
Bank balances and cash		**2,943,792**	3,331,147
		8,543,806	9,818,135
Current Liabilities			
Trade and other payables	*13(a)*	**2,733,247**	2,701,711
Contract liabilities	*13(b)*	**826,555**	1,632,556
Borrowings	*14*	**510,600**	873,150
Tax liabilities		**87,395**	296,488
Lease liabilities		**4,795**	–
Deferred income		**23,444**	21,636
		4,186,036	5,525,541
Net Current Assets		**4,357,770**	4,292,594
Total Assets less Current Liabilities		**10,745,303**	10,998,310

	Notes	2019 RMB'000	2018 RMB'000
Capital and Reserves			
Share capital		**200,397**	200,397
Reserves		**7,679,622**	8,136,209
Equity attributable to the owners of the Company		**7,880,019**	8,336,606
Non-controlling interests		**1,075,604**	1,055,593
Total Equity		**8,955,623**	9,392,199
Non-current Liabilities			
Deferred income		**265,391**	285,782
Deferred tax liabilities		**58,929**	111,029
Borrowings	*14*	**1,420,550**	1,209,300
Lease liabilities		**44,810**	–
		1,789,680	1,606,111
		10,745,303	10,998,310

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company										
	Share capital	Share premium	Fair value through other comprehensive income reserve	Merger reserve	Capital reserve	Statutory surplus reserve	Share held for employee share option scheme	Retained earnings	Total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Note a)	*(Note b)*	*(Note c)*	*(Note 15)*				
At 1 January 2018	200,397	1,224,924	(19,809)	(32,210)	113,076	812,982	–	4,390,563	6,689,923	602,679	7,292,602
Profit for the year	–	–	–	–	–	–	–	2,129,098	2,129,098	305,601	2,434,699
Other comprehensive expenses fair value loss on equity instruments at fair value through other comprehensive income	–	–	(52,902)	–	–	–	–	–	(52,902)	–	(52,902)
Total comprehensive income for the year	–	–	(52,902)	–	–	–	–	2,129,098	2,076,196	305,601	2,381,797
Transfer	–	–	–	–	1,109	149,034	–	(149,034)	1,109	100	1,209
Acquisition of further interest in a subsidiary from non-controlling interests	–	–	–	–	(59,037)	–	–	–	(59,037)	(62,260)	(121,297)
Capital contribution from non-controlling interests	–	–	–	–	143,583	–	–	–	143,583	276,612	420,195
Dividends paid	–	–	–	–	–	–	–	(515,168)	(515,168)	–	(515,168)
Dividends paid by subsidiaries of the group	–	–	–	–	–	–	–	–	–	(59,168)	(59,168)
Partial disposal of a subsidiary	–	–	–	–	–	–	–	–	–	(7,971)	(7,971)
At 31 December 2018	**200,397**	**1,224,924**	**(72,711)**	**(32,210)**	**198,731**	**962,016**	**-**	**5,855,459**	**8,336,606**	**1,055,593**	**9,392,199**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,462,974**	**1,462,974**	**279,307**	**1,742,281**
Other comprehensive expenses fair value loss on equity instruments at fair value through other comprehensive income	**-**	**-**	**(1,119,292)**	**-**	**-**	**-**	**-**	**-**	**(1,119,292)**	**-**	**(1,119,292)**
Total comprehensive income for the year	**-**	**-**	**(1,119,292)**	**-**	**-**	**-**	**-**	**1,462,974**	**343,682**	**279,307**	**622,989**
Transfer of de-recognition of equity instruments at fair value through other comprehensive income	**-**	**-**	**31,008**	**-**	**-**	**-**	**-**	**(31,008)**	**-**	**-**	**-**
Transfer	**-**	**-**	**-**	**-**	**1,046**	**258,853**	**-**	**(258,853)**	**1,046**	**60**	**1,106**
Repurchase of shares under employee share option scheme	**-**	**-**	**-**	**-**	**-**	**-**	**(168,897)**	**-**	**(168,897)**	**-**	**(168,897)**
Capital contribution from non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**39,200**	**39,200**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(632,418)**	**(632,418)**	**-**	**(632,418)**
Dividends paid by subsidiaries of the Group	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(298,556)**	**(298,556)**
At 31 December 2019	**200,397**	**1,224,924**	**(1,160,995)**	**(32,210)**	**199,777**	**1,220,869**	**(168,897)**	**6,396,154**	**7,880,019**	**1,075,604**	**8,955,623**

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 of subsidiaries were recognised as transactions with non-controlling interests and the corresponding discount/premium 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Profit before tax	**2,120,300**	3,234,899
Adjustments for:		
Interest paid	**100,528**	97,135
Bank deposits interest income	**(37,349)**	(21,376)
Dividend received from equity instruments	**(10,800)**	–
Realisation of deferred income	**(23,734)**	(34,110)
Recognition/(reversal) of impairment on trade receivables	**1,379**	(275)
Depreciation and amortization	**567,345**	666,388
Depreciation of right-of-use assets	**22,768**	–
Release of prepaid lease payments	**–**	15,311
Write-down of inventories	**10,577**	6,821
Loss on disposals of property, plant and equipment	**17,594**	88,531
Loss upon de-recognition of equity instruments at fair value through other comprehensive income	**2,446**	–
Gain on disposal of a subsidiary	**–**	(44)
Gain on disposal of intangible assets	**(948)**	–
Impairment of intangible assets	**5,630**	–
Reversal/recognition of impairment of property, plant and equipment	**(3,128)**	3,128
Operating cash flows before movements in working capital	**2,772,608**	4,056,408
Decrease/(increase) in inventories	**114,671**	(136,490)
Decrease/(increase) in trade and other receivables	**262,882**	(31,167)
Decrease/(increase) in properties under development for sale	**427,805**	(1,227,694)
Increase in trade and other payables	**32,640**	401,395
(Decrease)/increase in deposits from pre-sale of properties	**(806,001)**	1,272,638
Increase in deferred income	**5,151**	88,448
Cash generated from operations	**2,809,756**	4,423,538
Income taxes and withholding tax paid	**(479,455)**	(550,156)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**2,330,301**	3,873,382

	2019 *RMB'000*	2018 *RMB'000*
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(1,418,214)**	(876,595)
Payment for right-of-use assets/prepaid land lease	**(112,351)**	(85,221)
Purchase of intangible assets	**(12,840)**	(15,166)
Interest received	**37,349**	21,376
Dividend received from equity instruments	**10,800**	–
Proceeds from/(payment for) pledged bank deposits	**53,892**	(330,273)
Proceeds from disposals of property, plant and equipment	**25,256**	37,849
Proceeds from disposal of equity instrument at fair value through other comprehensive income	**13,948**	–
Net cash outflow from disposal of a subsidiary	**–**	(1,561)
Purchase of equity instrument at fair value through other comprehensive income	**(3,000)**	(652,813)
Acquisition of interest in subsidiary from minority shareholders	**–**	(121,298)
NET CASH USED IN INVESTING ACTIVITIES	**(1,405,160)**	(2,023,702)
FINANCING ACTIVITIES		
Proceeds from borrowings	**1,182,600**	1,576,000
Repayments of borrowings	**(1,333,897)**	(1,314,373)
Payment on repurchase of shares under employee share option scheme	**(168,897)**	–
Interest paid	**(100,528)**	(97,135)
Dividends paid	**(930,974)**	(574,336)
Capital contribution from non-controlling interests	**39,200**	420,195
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	**(1,312,496)**	10,351
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(387,355)**	1,860,031
CASH AND CASH EQUIVALENT AT BEGINNING OF THE YEAR	**3,331,147**	1,471,116
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
represented by:		
Bank balances and cash	**2,943,792**	3,331,147

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Dongyue Group Limited (the "Company") was incorporated in the Cayman Islands on 24 July 2006 as an exempted company with limited liability. The address of its registered office is P.O. Box 31119, Grand Pavillion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 10 December 2007.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacture, distribution and sale of refrigerants, polymers, organic silicone and dichloromethane, polyvinyl chloride ("PVC") and liquid alkali and others. In addition, the Group is also engaged in property development in the People's Republic of China (the "PRC").

The addresses of principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

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

2. SIGNIFICANT ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by International Accounting Standards Board (the "IASB"). In addition, the consolidated financial statements include applicable disclosures required by The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value through other comprehensive income at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the IASB for the first time:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

According to IFRS 16, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment and land use right.

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The incremental borrowing rates used for determination of the present value of the remaining lease payments ranged from 4.75% to 5.125%.

	1 January 2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	67,107
Less: total future interest expenses	(14,412)
Lease liabilities recognised as at 1 January 2019	52,695
Analysed as	
Current	3,907
Non-current	48,788
	52,695

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

	Note	**Right-of-use assets**
		RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		52,695
Reclassified from prepaid lease payments	*(a)*	551,330
		604,025

Impacts on asset and (liabilities) as at 1 January 2019

	Notes	**Carrying amount previously reported at 31 December 2018**	**Impact of adopting IFRS 16**	**Carrying amount under IFRS 16 at 1 January 2019**
		RMB'000	*RMB'000*	*RMB'000*
Right-of-use assets		–	604,025	604,025
Prepaid lease payments – non-current	*(a)*	535,564	(535,564)	–
Prepaid lease payments – current	*(a)*	15,766	(15,766)	–
Lease liabilities – current		–	(3,907)	(3,907)
Lease liabilities – non-current		–	(48,788)	(48,788)

Notes

(a) Upfront payments for leasehold lands for own used properties were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the non-current and current portion of prepaid lease payments amounting to RMB535,564,000 and RMB15,776,000 respectively were reclassified to right-of-use assets.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of goods and properties.

4.1 Revenue

Disaggregation of revenue from contracts with customers for the year

For the year ended 31 December 2019

	Chemical produdct *RMB'000*	**Property development** *RMB'000*
Types of goods or service		
Sales of chemical product		
Refrigerants	**2,677,890**	**–**
Polymers	**3,432,978**	**–**
Organic silicone	**2,686,292**	**–**
Dichloromethane PVC and liquid alkali	**1,505,076**	**–**
	10,302,236	**–**
Other operations	**804,156**	**–**
Property development	**–**	**1,852,300**
Total	**11,106,392**	**1,852,300**

For the year ended 31 December 2018

	Chemical produdct *RMB'000*	Property development *RMB'000*
Types of goods or service		
Sales of chemical product		
Refrigerants	3,260,154	–
Polymers	3,879,793	–
Organic silicone	3,380,373	–
Dichloromethane PVC and liquid alkali	1,723,746	–
	12,244,066	–
Other operations	1,735,232	–
Property development	–	239,639
Total	13,979,298	239,639

Sale of chemical products

Revenue (net of value added tax or other sales taxes) from the sale of goods is recognised at a particular point in time when customers have control of the promised goods, which is generally the time when goods are delivered to customers and customers have accepted the goods.

Property development

Revenue from sale of completed residential properties is recognised at a particular point in time. This is the time when legal assignment is completed which is the time when the customer has ability to direct the use of the property and obtain substantial all of the remaining benefits of the property. Deposits and instalments received from customers prior to this revenue recognition point are included in "Contract liabilities" in the consolidated statement of financial position.

4.2 Operating Segments

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

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

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

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

2019

	Refrigerants	**Polymers**	**Organic Silicone**	**Dichloromethane PVC and liquid alkali**	**Property development**	**Reportable segments' total**	**Other operations**	**Eliminations**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
External sales	**2,677,890**	**3,432,978**	**2,686,292**	**1,505,076**	**1,852,300**	**12,154,536**	**804,156**	**–**	**12,958,692**
Inter-segment sales	**1,708,956**	**–**	**–**	**7,648**	**–**	**1,716,604**	**818,046**	**(2,534,650)**	**–**
Total revenue – segment revenue	**4,386,846**	**3,432,978**	**2,686,292**	**1,512,724**	**1,852,300**	**13,871,140**	**1,622,202**	**(2,534,650)**	**12,958,692**
SEGMENT RESULTS	**355,368**	**460,282**	**507,410**	**256,788**	**357,867**	**1,937,715**	**331,634**	**–**	**2,269,349**
Unallocated corporate expenses									**(48,521)**
Finance costs									**(100,528)**
Profit before tax									**2,120,300**

2018

	Refrigerants	Polymers	Organic Silicone	Dichloromethane PVC and liquid alkali	Property development	Reportable segments' total	Other operations	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
External sales	3,260,154	3,879,793	3,380,373	1,723,746	239,639	12,483,705	1,735,232	–	14,218,937
Inter-segment sales	3,020,864	213,268	–	193,578	–	3,427,710	960,011	(4,387,721)	–
Total revenue – segment revenue	6,281,018	4,093,061	3,380,373	1,917,324	239,639	15,911,415	2,695,243	(4,387,721)	14,218,937
SEGMENT RESULTS	805,467	915,014	984,040	466,059	65,524	3,236,104	105,745	–	3,341,849
Unallocated corporate expenses									(9,815)
Finance costs									(97,135)
Profit before tax									3,234,899

Segment results represent the results of each segment without allocation of unallocated other income, central administration costs, directors' salaries, and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment. No segment information on assets and liabilities is presented as such information is not reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Entity-wide disclosures

Information about revenue from refrigerants segment by products from external customers

	2019	2018
	RMB'000	*RMB'000*
Monochlorodifluoromethane (HCFC-22)	**934,746**	864,491
Tetrafluoroethane (R134a)	**236,828**	326,057
Pentafluoroethane (R125)	**39,606**	129,121
R439A	**–**	14,767
R410a	**256,699**	353,113
R142b	**222,892**	249,409
R152a	**144,259**	175,065
R22	**169,562**	451,147
R32	**312,312**	252,018
R507A	**2,416**	116,740
R407C	**14,301**	113,534
Others	**344,269**	214,692
	2,677,890	3,260,154

Information about revenue from polymers segment by products from external customers

	2019	2018
	RMB'000	*RMB'000*
Polytetrafluoroethylene (PTFE)	**1,760,017**	2,055,189
Hexafluoropropylene (HFP)	**306,684**	397,881
Perfluorocyclobutane	**61,842**	102,076
Fluorinated ethylene propylene (FEP)	**471,189**	471,449
Polyvinylidene fluoride (PVDF)	**554,170**	415,177
Fluorine rubber (FKM)	**152,364**	193,454
Vinylidene fluoride (VDF)	**15,709**	88,031
Others	**111,003**	156,536
	3,432,978	3,879,793

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

	2019	2018
	RMB'000	*RMB'000*
DMC (Dimethylcyclosiloxane)	**131,543**	117,009
107 Silicone Rubber	**1,196,166**	1,534,455
Raw Vulcanizate	**387,499**	484,710
Gross Rubber	**191,890**	230,753
Gaseous Silica	**118,196**	164,903
DMC Hydrolysate	**82,982**	49,369
Trimethylchlorosilane	**173,562**	244,429
Methyldichlorosilane	**22,023**	41,183
DMC Lineament	**81,098**	127,409
D4 (Octamethyl Cyclotetrasiloxane)	**19**	2,187
Dimethy silicone oil	**120,923**	187,440
Others	**180,391**	196,526
	2,686,292	3,380,373

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

	2019	2018
	RMB'000	*RMB'000*
PVC	**646,794**	692,042
Dichloromethane	**275,788**	281,294
Liqui alkali	**582,494**	750,410
	1,505,076	1,723,746

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

	2019	2018
	RMB'000	*RMB'000*
Methunol	**305,495**	–
HFCs (hydro fluorocarbons)	**166,700**	–
AHF (Anhydrous Fluoride)	**7,800**	21,431
Ammonium Bifluoride	**54,478**	69,511
Hydrofluoric Acid	**27,125**	65,321
Bromine	**56,359**	75,467
Neutral glue	**20,263**	–
Fluorgypsum	**12,925**	10,036
Aluminium ingot	**–**	516,988
Zinc ingot	**–**	43,048
Copper cathode	**–**	430,025
Nickel cathode	**–**	337,515
Others	**153,011**	165,890
	804,156	1,735,232

Information about major customers

There was no revenue from a single customer that contributed over 10% of the total sales of the Group during each of the two years ended 31 December 2019 and 2018.

Geographical information

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

	2019	2018
	RMB'000	*RMB'000*
PRC	**10,986,136**	11,834,428
Asia (except PRC)		
– Japan	**440,049**	444,774
– South Korea	**267,186**	318,734
– India	**46,013**	57,116
– Singapore	**39,473**	69,620
– Thailand	**37,390**	37,972
– United Arab Emirates	**63,070**	118,799
– Pakistan	**33,522**	26,428
– Malaysia	**35,182**	40,974
– Kuwait	**20,041**	24,663
– Saudi Arabia	**3,190**	3,244
– Indonesia	**9,417**	23,453
– Israel	**3,015**	2,220
– Philippines	**8,033**	15,922
– Viet Nam	**29,183**	29,365
– Turkey	**45,741**	49,514
– Other countries	**12,640**	17,964
Subtotal	**1,093,145**	1,280,762

	2019 *RMB'000*	2018 *RMB'000*
America		
– United States of America	**347,799**	455,916
– Brazil	**182,030**	113,177
– Chile	**1,993**	2,370
– Other countries	**49,667**	40,320
Subtotal	**581,489**	611,783

	2019 *RMB'000*	2018 *RMB'000*
Europe		
– Italy	**126,022**	211,678
– England	**6,419**	4,925
– Russia	**16,912**	39,169
– Germany	**20,682**	36,142
– France	**15,318**	8,635
– Spain	**5,405**	4,294
– Belgium	**5,782**	42,262
– Poland	**9,009**	34,403
– Other countries	**2,009**	4,152
Subtotal	**207,558**	385,660

	2019 *RMB'000*	2018 *RMB'000*
Africa		
– South Africa	**33,556**	34,131
– Egypt	**13,750**	21,192
– Nigeria	**26,530**	27,681
– Other countries	**6,210**	9,323
Subtotal	**80,046**	92,327
Other countries/regions	**10,318**	13,977
	12,958,692	14,218,937

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

Other segment information

	Refrigerants	Polymers	Organic Silicone	Dichloromethane PVC and liquid alkali	Property development	Reportable and operating segment total	Other operations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2019								
Depreciation of property plant and equipment	**137,843**	**168,021**	**111,672**	**75,950**	**3,495**	**496,981**	**55,672**	**552,653**
Amortisation of intangible assets	**1,539**	**11,609**	**41**	**799**	**101**	**14,089**	**603**	**14,692**
(Reversal) recognition of impairment on trade receivables	**(236)**	**322**	**1,285**	**(32)**	**26**	**1,365**	**14**	**1,379**
Research and development costs recognised as an expense	**17,116**	**211,213**	**84,120**	**7,450**	**–**	**319,899**	**9,343**	**329,242**
Write-down of inventories	**6,668**	**–**	**910**	**2,135**	**–**	**9,713**	**864**	**10,577**
Loss/(gain) on disposals of property, plant and equipment	**8,199**	**1,774**	**(1)**	**(2,134)**	**13**	**7,851**	**9,743**	**17,594**
Depreciation of right-of-use assets	**8,268**	**5,776**	**4,924**	**1,531**	**–**	**20,499**	**2,269**	**22,768**
Gain on disposal of intangible assets	**–**	**–**	**–**	**(948)**	**–**	**(948)**	**–**	**(948)**
(Reversal)/recognition of impairment on property, plant and equipment	**(3)**	**–**	**–**	**–**	**–**	**(3)**	**(3,125)**	**(3,128)**
Recognition of impairment on intangible assets	**–**	**–**	**–**	**–**	**–**	**–**	**5,630**	**5,630**

	Refrigerants	Polymers	Organic Silicone	Dichloromethane PVC and liquid alkali	Property development	Reportable and operating segment total	Other operations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2018								
Depreciation of property plant and equipment	248,672	163,316	108,874	96,245	3,350	620,457	31,355	651,812
Amortisation of intangible assets	1,966	10,261	117	1,697	131	14,172	404	14,576
(Reversal)/recognition of impairment on trade receivables	29	(91)	421	11	–	370	(645)	(275)
Research and development costs recognised as an expense	9,141	131,231	29,314	4,375	–	174,061	3,299	177,360
Write-down of inventories	649	–	5,945	164	–	6,758	63	6,821
Loss/(gain) on disposals of property, plant and equipment	39,556	2,629	26,915	17,033	(179)	85,954	2,577	88,531
Release of prepaid lease payments	3,510	5,210	3,397	1,345	–	13,462	1,849	15,311
(Revisal)/recognition of impairment on property, plant and equipment	3	–	–	–	–	3	3,125	3,128

5. OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
Government grants	**59,248**	57,541
Bank deposits interest income	**37,349**	21,376
Dividend income received from equity instruments at fair value through other comprehensive income ("FVTOCI")	**10,800**	–
Other interest income	**581**	723
Exchange gain	**17,441**	20,309
Compensation received	**–**	7,667
Others	**13,104**	11,593
	138,523	119,209

Notes:

(a) The government grants are mainly for the expenditures on research activities which are recognised as expenses in the period in which they are incurred. There were no unfulfilled conditions or contingencies relating to those government grants.

6. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interests on:		
Bank loans wholly repayable within five years	**98,074**	94,358
Other borrowings repayable within five years	**–**	2,777
Interest on lease liabilities	**2,454**	–
Total borrowings costs	**100,528**	97,135

7. INCOME TAX EXPENSE

	2019 *RMB'000*	2018 *RMB'000*
PRC enterprise income tax ("EIT")		
– Current year	**294,207**	714,858
– Over provision in prior years	**(97,340)**	(1,776)
– Land Appreciation Tax ("LAT")	**18,798**	(12,799)
	215,665	700,283
Deferred tax charge		
– Withholding tax for distributable profits of PRC subsidiaries	**45,282**	65,082
– Others	**117,072**	34,835
	162,354	99,917
Total income tax expense	**378,019**	800,200

8. PROFIT FOR THE YEAR

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

	2019 *RMB'000*	2018 *RMB'000*
Short-term employee benefits	**683,527**	813,520
Post-employment benefits	**79,776**	97,253
Other staff welfare	**40,030**	60,633
Total staff costs	**803,333**	971,406
Cost of investories recognised as an expense	**9,376,076**	9,236,077
Depreciation of property, plant and equipment	**552,653**	651,812
Amortisation of intangible assets (included in cost of sales)	**14,692**	14,576
Auditor's remuneration	**2,467**	2,910
Net foreign exchange gains	**(15,408)**	(20,309)
Recognition/(reversal) of impairment on trade receivables	**1,379**	(275)
Research and development costs recognized as an expense	**329,242**	177,360
Write-down of inventories (included in cost of sales)	**10,577**	6,821
Release of prepaid lease payments	**–**	15,311
Depreciation of right-of-use assets	**22,768**	–
Loss on disposals of property, plant and equipment	**17,594**	88,532
(Reversal)/recognition of impairment of property, plant and equipment	**(3,128)**	3,128
Impairment of intangible assets	**5,630**	–

Notes: Directors' emoluments are included in the above staff costs.

The actual discretionary bonus paid was RMB18,514,000 (2018: RMB17,424,000).

9. EARNINGS PER SHARE

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

	2019	2018
	'000	*'000*
Earnings for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share *(RMB)*	**1,462,974**	2,129,098
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**2,092,196**	2,111,689

During the year ended 31 December 2019, 42,579,000 ordinary shares with amount of RMB168,897,000 were repurchased under employee share option scheme and no shares have been cancelled during the year.

10. DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
Dividends paid during the year: 2019: 2018 final dividend: HK$0.35 (2018: 2017 final dividend: HK$0.3) per share	**632,418**	515,168

Subsequent to the end of the reporting period, a final dividend HK$0.23 per share (2018: HK$0.35 per share), amounting to HK$481,205,080 (2018: HK$739,091,000) in respect of the year ended 31 December 2019, equivalent to RMB424,268,000 (2018: RMB632,418,000) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

11. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019	2018
	RMB'000	*RMB'000*
Unlisted equity securities, at fair value		
– China MinSheng Investment Co., Ltd.("CMIC") *(Note a)*	**455,297**	1,567,000
– Taihe Asset Management Co. Ltd. *(Note b)*	**110,411**	108,240
– Zibo Fluorosilicone Industrial Park Operation Management Co., Ltd. ("FIP") *(Note c)*	**100,000**	100,000
– Shanghai Yiqing Technology. Co., Ltd. *(Note d)* ("Shanghai Yiqing")	**3,000**	–
– Shandong Peninsula Ocean Blue Economic Investment Co., Ltd. ("SPOBE") *(Note e)*	**–**	16,394
– Zibo ZhangDian Huitong Microfinance Co., Ltd. ("ZhangDian Huitong") *(Note f)*	**–**	9,760
	668,708	1,801,394

The above unlisted equity investments represent the Group's equity interest in several private entities established in the PRC and the Cayman Islands. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they are held for long-term strategic purposes.

In determining the fair value of unlisted equity investments, the Group engages an independent professional valuer to perform such valuation. The amount is determined based on the cash flow projection for the estimated future cash flow discounted to its present value and requires the use of key assumptions, including the discount rate, terminal growth rate, budgeted revenue and gross margin taking into account the relevant industry growth forecasts and financial budgets approved management's expectation for the market development.

Notes:

(a) CMIC, a private enterprise initiated by the All-China Federation of Industry and Commerce and approved by the State Council of the PRC, is principally engaged in equity investment and assets management. The Group held 1,400,000,000 shares in CMIC at a consideration of RMB1,580,000,000, and the equity interest in CMIC held by the Group was 2.8% as at 31 December 2019. Based on CMIC's financial statements for the year ended 31 December 2019, and having considered the macroeconomic downturn, and the continuous deleveraging by the State as well as the dual pressure on high level of corporate debts, the funding situation and cash flow of CMIC in 2019 were very tight, and the financial position has deteriorated sharply. As a result, the directors of the Company considered, and as agreed by the independent professional valuer engaged by the Group, the fair value of the Group's investment in CMIC was approximately RMB455,297,000 as at 31 December 2019 (2018: RMB1,567,000,000), fair value loss of approximately RMB1,111,703,000 (2018: RMB13,000,000)which had been included in other comprehensive expenses of the Group for the year ended 31 December 2019.

(b) Taihe is a private entity and was established in the PRC. Taihe was principally engaged in interalia, asset management and bulk transfer of non-performing assets of financial enterprises in Shandong Province, the PRC. The Group and other partners established Taihe and the registered capital amount of Taihe was RMB10,000 million, of which the register capital amount contributable by the Group was RMB600 million, representing 6% of the total registered capital of Taihe. Up to 31 December 2019, the Group has paid RMB120 million. The directors of the Company considered the fair value of the investment was approximately RMB110,411,000 as at 31 December 2019 (2018: RMB108,240,000), fair value gain of approximately RMB2,171,000 (2018: fair value loss of approximately RMB11,760,000) which had been included in other comprehensive income of the Group for the year ended 31 December 2019. The Company received dividend of RMB10,800,000 from Taihe during the year ended 31 December 2019.

(c) FIP is a private equity and was established in the PRC on 10 December 2018. FIP was principally engaged in garden construction and property management. The Group and an independent third party established FIP. The Group paid RMB100 million during the year ended 31 December 2018 and contribute 46.15% of the total registered share capital of FIP. As the Group did not have any representative on the board of directors or equivalent governing body of the investment, did not participate in policy-making processes, and did not interchange any managerial personnel with the investment, it does not consider as having significant influence on the investment. The fair value of the investment was RMB100,000,000 as at 31 December 2019 (2018: RMB100,000,000).

(d) Shanghai Yiqing is a private entity and was established in the PRC on 21 June 2019. Shanghai Yiqing was principally engaged in new energy technology, new materials technology and technology consulting. The Group and other parties established Shanghai Yiqing, and the Group held 15% of the total equity interest of Shanghai Yiqing. The directors of the Company considered the fair value of the investment was approximately RMB3,000,000 as at 31 December 2019.

(e) SPOBE is a private entity that was incorporated in the Cayman Islands. SPOBE is principally engaged in investment activities. During the year ended 31 December 2011, the Company entered into a subscription agreement with SPOBE to subscribe for 20,000,000 shares in SPOBE at a total contribution of US$20,000,000 (equivalent to RMB126,256,000) and held 20,000,000 shares which represented 18.18% equity interest in SPOBE. During the year ended 31 December 2019, the Group sold its investment in SPOBE, as this investment no longer suited the Group's investment strategy. The shares sold had a fair value of RMB16,394,000 at the time of the sale and the Group realised a loss of RMB2,446,000 during the year ended 31 December 2019 which had been included in profit or loss of the Group for the year ended 31 December 2019. The Group recognised fair value loss through other comprehensive income of RMB31,008,000 in prior years which have been transferred from fair value through other comprehensive income reserve to retained earnings of the Group at the date of sale. (As at 31 December 2018: fair value of SPOBE was approximately RMB16,394,000 and fair value loss of RMB27,902,000 and had been included in other comprehensive expenses of the Group for the year ended 31 December 2018).

(f) Zhangdian Huitong is a private entity and was established in the PRC. Zhangdian Huitong is principally engaged in the money lending business in Shandong Province, the PRC. The Group holds 15% of the equity interest in Zhangdian Huitong, the directors of the Company considered the fair value of the investment was RMBnil as at 31 December 2019 (2018: RMB9,760,000), fair value loss of approximately RMB9,760,000 (2018: RMB240,000) which had been included in other comprehensive expenses of the Group for the year ended 31 December 2019.

12. TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**1,235,225**	1,487,709
Less: allowance for credit losses	**(4,232)**	(2,853)
	1,230,993	1,484,856
Prepayments for raw materials	**172,554**	222,709
Value added tax receivables	**105,248**	76,142
Prepaid land value increment tax	**9,390**	13,973
Deposit paid for property development	**27,767**	22,586
Deposits and other receivables	**157,517**	147,464
	1,703,469	1,967,730

Included in the trade receivables are bills receivable amounting to RMB951,267,000 at 31 December 2019 (2018: RMB1,249,734,000).

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

	2019	2018
	RMB'000	*RMB'000*
Within 90 days	**654,902**	1,145,748
91-180 days	**526,767**	325,894
181-365 days	**49,324**	13,214
	1,230,993	1,484,856

Before accepting any new customer, the Group conducts research on the creditworthiness of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. 96% (2018: 95%) of the trade receivables that are neither past due nor impaired have the high ranking record attributable under the research on the creditworthiness. The Group offers various settlement terms which vary depending on the size of contract, credibility and reputation of the customers.

Included in the Group's trade receivable balance are debtors with the aggregate carrying amount of RMB49,575,000 (2018: RMB9,628,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral or credit enhancements over these balances.

	2019	2018
	RMB'000	*RMB'000*
91-180 days	**42,767**	8,094
Over 180 days	**6,808**	1,534
	49,575	9,628

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

Movement in the allowance for credit losses

	2019	2018
	RMB'000	*RMB'000*
Balance at beginning of the year	**2,853**	3,128
Provided/(Reversed) during the year	**1,379**	(275)
Balance at end of the year	**4,232**	2,853

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

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

	US$	**RMB**
	'000	*'000*
As at 31 December 2019	**28,850**	201,266
As at 31 December 2018	**21,362**	146,567

13. TRADE AND OTHER PAYABLES

(a) Trade and other payables

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**1,661,147**	1,620,043
Contract liabilities *(Note i)*	**110,645**	133,019
Payroll payable *(Note ii)*	**341,429**	405,741
Payable for property, plant and equipment *(Note iii)*	**103,170**	161,564
Other tax payables	**77,520**	90,556
Construction cost payables for properties under development for sale	**286,114**	112,742
Other payables and accruals	**153,222**	178,046
Total	**2,733,247**	2,701,711

Notes:

(i) The amount represents the receipt in advance from customers arising from the pre-sale of chemical products.

(ii) As at 31 December 2019, included in the payroll payable is a provision for social insurance fund for employees of the PRC subsidiaries amounting to RMB12,236,000 (2018: RMB72,261,000). The amount of the provision represents the Group's entire obligation for social insurance fund for employees of PRC subsidiaries and is determined based on the relevant national regulations on social insurance and calculated based on the basic counting unit multiplied by the social insurance rate. The basic counting unit for social insurance shall be the average wages of an employee in the preceding year and shall not be less than the minimum limit promulgated by the local social insurance bureau each year.

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

Included in the trade payables are bills payable amounting to RMB100,000,000 (2018: RMB237,055,000). Bills payable are secured by the Group's pledged bank deposits.

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

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

	2019	2018
	RMB'000	*RMB'000*
Within 30 days	**1,064,166**	822,980
31-90 days	**410,407**	595,215
91-180 days	**83,322**	141,672
181-365 days	**67,312**	41,282
1-2 years	**19,708**	11,728
More than 2 years	**16,232**	7,166
	1,661,147	1,620,043

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

	US$	**RMB**
	'000	*'000*
As at 31 December 2019	**205**	1,432
As at 31 December 2018	**1,403**	9,632

(b) Deposits received from pre-sale of properties

	2019	2018
	RMB'000	*RMB'000*
Contract liabilities *(Note)*	**826,555**	1,632,556

Note: The amount represents the receipt in advance from customers arising from the pre-sale of properties in the PRC.

14. BORROWINGS

	2019	2018
	'000	*'000*
Unsecured bank loans	**1,888,550**	2,042,450
Secured bank loans	**42,600**	40,000
	1,931,150	2,082,450
Carrying amount repayable:		
Within one year	**510,600**	873,150
More than one year, but not exceeding two years	**100,000**	769,300
More than two years, but not more than five years	**1,320,550**	440,000
	1,931,150	2,082,450
Less: amount due within one year shown under current liabilities	**510,600**	873,150
Amount due after one year	**1,420,550**	1,209,300

15. EMPLOYEE SHARE OPTION SCHEME

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

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

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

During the year ended 31 December 2019, Shares in the amount of approximately RMB168,897,000 have been purchased by the Trustee under the Employee Option Scheme. No Options have been granted under the Employee Option Scheme up to the date of this report.

16. EVENTS AFTER THE REPORTING PERIOD

a. Effect of the coronavirus

The coronavirus outbreak since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position and performance.

The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures. These contingency measures include: step up marketing effort; reducing operation cost; putting on hold of non-operating expenses; speeding up payment from customers; and lowering finance cost. The Group will keep its contingency measures under review as the situation evolves.

The Group will pay close attention to the development of the coronavirus outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorized for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the outbreak.

b. The spin-off and separate listing of Dongyue Organosilicone on the Shenzhen Stock Exchange

Dongyue Organosilicone has issued 300,000,000 Offer Shares under the A Share Offering at the final offer price of RMB6.9 per Offer Share. The net proceeds raised from the A Share Offering was approximately RMB1,986 million.

Immediately upon completion of the A Share Offering, the Company indirectly holds approximately 57.75% interest in Dongyue Organosilicone, and therefore Dongyue Organosilicone remains as a non-wholly-owned subsidiary of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2019, the global economic situation remained grim. International trade conflicts and other factors further affected the economic development, while market demand could not be released and economic growth generally slowed down. Under such an environment, China's economy was also affected by the global economy. Growth in the manufacturing industry of China was at a slow mode and enterprises were under great pressure. In an environment where domestic and overseas economic conditions not being optimistic, the fluorosilicic industry has also been impacted to a certain extent for the downstream demand was low and the product price was falling. However, amid the challenges under the critical domestic and foreign economic condition, with its excellent profitability, operation and management, the Group managed to stabilize production and boost the sales, maintaining its leading position in the industry while earning steady revenue.

BUSINESS REVIEW

1. Maintained high profitability in face of market pressure

During the year, the industry was affected by the major environment with a sluggish demand and a decline in product price. However, by leveraging its advantages of top-notch technology, complete industry chain, integrated economy of the park, excellent production and sales management, good reputation and stable customer base, as well as the efforts from the management and employees at all levels, the Group overcame various pressure and recorded total revenue of approximately RMB12,958,692,000; our gross margin was 26.59% and our net profit amounted to RMB1,742,281,000.

2. Successful spin-off listing of organic silicone company

The Group overcame difficulties from various aspects in nearly two years and achieved a key result in the spin-off listing of Shandong Dongyue Organosilicone Materials Co., Ltd ("Dongyue Organosilicone"), a subsidiary of the Groupx was successfully listed on ChiNext of the Shenzhen Stock Exchange on 12 March 2020. The spin-off listing of Dongyue Organosilicone is expected to broaden the financing channels of the Group and enhance its growth potential, accelerate the development of the business of Dongyue Organosilicone and enhance its competitiveness and industry status, increase the investment in technology and environmental protection, improve profitability and create value for the Group's shareholders.

3. The Group and its subsidiaries showered with honors

The celebration of the 70th anniversary of the founding of New China has attracted worldwide attention. As an excellent builder of socialism with Chinese characteristics and a contributor to science and technology, Mr. Zhang Jianhong, Chairman of the Board of the Group has been invited to participate in a series of activities to celebrate the National Day. This special honor demonstrates the contribution and social status of the Group and Mr. Zhang. Shandong Dongyue Polymers Co., Ltd (山東東岳高分子材料有限公司) ("**Dongyue Polymers**") , a subsidiary of the Group, was awarded the title of Single Champion Demonstration Enterprise of Manufacturing Industry (製造業單項冠軍示範企業) from the Ministry of Industry and Information Technology of the People's Republic of China in 2019, which indicates that the technology and scale of the fluoropolymer materials represented by PTFE in Dongyue Polymers are in a leading position in the industry. Meanwhile, Shandong Huaxia Shenzhou New Materials Co., Ltd. (山東華夏神舟新材料有限公司) ("**Huaxia Shenzhou**") also successfully passed the 1st batch of review of the Single Champion Demonstration Enterprise. Shandong Dongyue Union Property Co., Ltd. (山東東岳聯邦置業有限公司) ("**Dongyue Union Property**"), a controlling subsidiary of the Group, was promoted from Level 3 to Level 2 development qualification, which reflected the substantial improvement of the Company's comprehensive strength in technology, construction, management, service and operation.

4. Significant increase in research and development expenses laid a solid foundation for future development

In a period of industry downturn, research and development could lay a good foundation for future development. During the year, the research and development expenses of the Group increased substantially to RMB330 million, representing a year-on-year increase of 85.63%. The Group submitted 84 patents applications, and was granted approval of 20 patents during the year. The Group won 8 national and provincial patent awards, with one of the patents winning the National Patent Golden Award. During the year, the Group had a total of 41 large-scale projects on new product, production expansion, technical improvement, environmental protection and automation enhancement. These projects have been able to propel the development of new products and the improvement of production technology. Among which, "Ion Exchange Membrane with High Current Efficiency and its Preparation Method and Application" successfully passed the assessment of China Membrane Industry Association and won the Patent Golden Award. The new generation of chlorine alkali ion membrane DF2807 successfully started commissioning activities in the Shanghai chlorine and chlorine engineering electrolyzer, which opened a new era of high-quality market application of Dongyue chlorinium membrane. The Group stepped up its efforts in pushing forward the "621" Taishan Climbing Plan. Through the concerted efforts of functional departments and R&D departments, significant progress has been made. Beijing, Shanghai, Shenzhen, as well as Japan and Canada R&D centers have all been in operation. The Group also established 16 joint laboratories with universities and research institutes, and carried out 46 cooperative projects. Together with the integration of 215 various high-end talents in the industry, the Group has initially formed a new type of scientific research mechanism and system focusing on the frontier, internal and external collaboration and division of labor and integration.

5. Exploring ways to saving resources and saving cost to increase efficiency

In response to the industry downturn, the Group exercised accurate management and control in all aspects, implemented all tasks in strict accordance with the management system of the Company, managed and controlled expenses of all aspects and reduced unnecessary cost and saved expenses. As such, the administrative expenses was approximately RMB666 million, representing a year-on-year decrease of 14.96%. Meanwhile, through technological transformation and enhancement of process, the consumption of major raw material and the comprehensive energy consumption were further reduced, enhancing the production efficiency and saving the cost of the Group.

In addition, the supplier management office of the Group further optimized the supplier structure, revised the rules of bidding and tendering, and strengthened control of the procurement procedure. The expenditure on procurement of the same amount of major raw material substantially decreased, offsetting the impact brought by the decline in market price of the product on the profit in an effective manner.

6. Stable production and ramping up sales efforts

Facing the downward pressure of the industry, the Group managed to maintain its leading position in the industry through stable production and ramping up sales efforts. During the year, the Group continued to pay close attention to safety and environmental protection production, which provided a guarantee for the stable production of the Group. At the same time, the Group further improved its production technology, and certain subsidiaries achieved “black screen operation”, that is, long-term operation without abnormality, and maintenance and vehicle breakdown were significantly reduced. In terms of sales, the Group has successfully seized customers and stabilized its market share by virtue of its high-quality products, excellent services and outstanding reputation. During the year, the Group organized the annual meeting of industrial chain cooperation between domestic and foreign customers, where the Group presented its in-depth analysis of international trade friction, hydrogen energy, 5G and other economic hotspots, upgraded customer service in 2020, and enhanced customers’ determination and confidence in the strategic cooperation with the Group, promoting the market and social brand image of the Group.

7. New achievements in automation and informatization

During the year, the Group further improved its automation system, thus manual operation rate decreased substantially. The abnormal operation period of devices as well as the abnormal vehicle breakdown and impacts on production caused by malfunction have also reduced significantly. Informatized management for unattended weighbridge and hazardous chemicals vehicles was put into operation, enhancing measurement efficiency and lowering transportation risks. Besides, the Group launched the CRM system, integrated information resources such as SAP and OA, and established a market information system.

8. Recognized as high and new technology enterprise

During the year, Shandong Dongyue Chemicals Co., Limited ("Dongyue Chemicals"), a subsidiary of the Group, obtained the high and new technology enterprise recognition from the Ministry of Science and Technology and became the fourth high and new technology enterprise of the Group. This achievement not only allows Dongyue Chemicals to apply for tax incentives to increase profit, but also marks a progress of the Group in its march toward to goal of technological transformation.

PROSPECT

2020 is expected to be a year of uncertainty. To cope with the challenges in 2020, the Group will adopt the following measures:

1. Market-oriented operation and management

In 2020, amid an uncertain market environment, the Group will continue its market-oriented operation and management approach, and will put the emphasis on customer satisfaction, creating a distinct marketing culture in which the sales staff give full attention to the customers across the whole sales process, clear all stocks every day, and align their individual goal with the sales target. To cater for customer needs, the Group will also undergo project upgrades, improving the production process according to customer needs and further developing middle to high end products. In addition, the Group will further control the sales process and lowered the cost of sales.

2. Strengthen research and development and ensure a sustainable development

The Group's management has always attached great importance to independent research and development, and considers it as the foundation for a sustainable development of the Company. Therefore, the Group has been able to sustain a relatively high competitive advantage in the industry for a long period of time. In 2020, the Group will establish a research and development technology directing management system which will lead various research and development branches and promote the implementation of the development strategy of the Company. The Group will also establish an innovative research and development system, and create a good culture, environment and ideal conditions for a long-lasting support to the system. The Group will adopt a market-oriented approach to promote the implementation of new products and new applications from the Research Institute and various companies to cater for the market demand, contributing new growth and profit to the Group.

3. Reduce the cost to enhance competitiveness

Against a backdrop of product price decline in the market, the Group improve its competitiveness by further lowering the cost. In 2020, the Group will concentrate reduction resources and energy consumption, maintenance expenses and procedural costs in terms of production to lower the production cost. In addition, the Group will further optimize its procurement process and reduce the cost of raw material.

4. **Raise various operation benchmarks**

In 2020, the Group will focus on the standard management in order to achieve high-quality development of the Company. Firstly, the Group will put great efforts to compile with the highest national standards and international advanced enterprise standards for safety and environmental protection, and promote the building of the safety and environmental protection culture by enhancing standardization, so as to ensure stable production. Secondly, the Group will carefully consider procurement and raise the standards for the use of processing equipment, raw materials, packaging materials and analytical instruments to benchmark the international standards and adapt to the competitive international environment. Thirdly, the Group will benchmark the product standards, technical standards and the requirements of outstanding enterprises exporting to developed countries, and comprehensively benchmark the parameters of product quality, impurity control, and resources and energy consumption. Fourthly, the Group will raise the management standards by linking to the labor productivity per capita, benchmarking against peers, advanced enterprises, and the international standards of informatization and intelligentization, and enhancing the standard and efficiency of management. Fifthly, the Group will carry out comprehensive auditing by raising the auditing standards of production, supplies, sales, manpower, finance and materials, improving the management standards, and enhancing the risk management and control capacity to safeguard the steady development of the Group.

5. **Enhance the efficiency of project construction and deliver the project with quality and quantity assurance**

In recent years, the Group has concentrated on construction projects, which is of historical significance and great importance to the future development of the Group. In order to implement the future development plans of the Group and promote its development, we need to further enhance the the efficiency of project construction. For projects that are in construction stage, standardized project management, promotion of project construction in a rhythmic, disciplined and efficient manner, and comprehensive assessments on quality, cost, safety, environmental protection and project progress are required. The Group will continue to adhere to the development concept of going green and low-carbon, further enforce the construction of recycling projects, including hazardous wastes, by-product hydrochloric acids and reduction of sulfuric acid, and accelerate the project completion such as production technology enhancement, technological transformation, exploration of resources saving, energy conservation and emission reduction.

6. **Promote the further enhancement of informatization and intelligentization**

In recent years, the "Benchmarking Formosa Plastics" management system of the Group has achieved initial results, with a significant impact in aspects including cost and risk reduction, production efficiency improvement and product quality guarantee. In 2020, the Group will further promote the enhancement of intelligentization and informatization. The Group will realize unmanned production equipment and promote "Predictive maintenance techniques of Formosa" as a guarantee to maximize production capacity. The Group will incorporate the informatized big data into all aspects of production and operation, including design, production, transportation, safety and environmental protection, energy, market, finance and services to effectively promote management efficiency. The Group will promote precision marketing, intelligent production, smart services and more to ultimately achieve network and visualized management of services both inside and outside the Group.

7. **Respond actively to the COVID-19 Pandemic**

In early 2020, a sudden epidemic interrupted the normal life of people around the world. In response to the outbreak of the novel coronavirus ("Pandemic"), the management of the Group has attached great importance to the situation, and the health of all employees is of the utmost importance to the Group. Therefore, in the early stage of the Pandemic, the Group immediately issued instructions to strengthen the prevention and control, including postponed the resumption of work for non-local employees during the Spring Festival, allowed employees to work from home, suspended employees to go on business trips, and other strict measures on pandemic prevention. At the same time, in view of the operation, the Group will carry out different measures such as increase sales efforts, control operating costs, delay non-productive expenses, speed up the collection of receivables, control the scale of accounts receivable, and reduce financial expenses to lower the impact caused by the Pandemic to the Group. Together we stand to fight the virus. The Group actively donated to support the "fight-virus" work to contribute to the people affected. The development of the Pandemic is still uncertain, but the Group will make full preparations to cope with the impact of the Pandemic.

The year of 2020 is destined to be a year of opportunities and challenges. By such selections, the competitiveness of enterprises will be displayed in times of difficulties. The Group has been developing steadily in the fluorosilicone industry for 32 years. As a leading domestic enterprise in the industry, the Group has advantages in many aspects, such as scale, industrial chain, technical level and management experience. The Group will make use of these advantages to operate and develop with great effort in a stable manner, so as to create good returns and repay shareholders for their long-term trust and support for Dongyue.

FINANCIAL REVIEW

Results Highlights

For the year ended 31 December 2019, the Group recorded revenue of approximately RMB12,958,692,000, representing a decrease of 8.9% over RMB14,218,937,000 in the previous year. The gross profit margin decrease to 26.59% (2018: 31.87%) and the operating results margin was 17.50% (2018: 23.50%). During the year under review, the Group recorded profit before tax of approximately RMB2,120,300,000 (2018: profit before tax of RMB3,234,899,000), and net profit of approximately RMB1,742,281,000 (2018: 2,434,699,000), while consolidated profit attributable to the Company's owners was approximately RMB1,462,974,000 (2018: RMB2,129,098,000). Basic earnings per share was RMB0.70 (2018: basic earning of RMB1.00).

The Board recommended the payment of a final dividend of HK$0.23 (2018: HK$0.35) per share to the shareholders whose names appear on the register of members of the Company on 18 June 2020.

Segment Revenue and Operating Results

Set out below is the comparison, by reportable and operating segments, of the Group's revenue and results for the year ended 31 December 2019 and the year ended 31 December 2018:

	For the year ended 31 December 2019			For the year ended 31 December 2018		
Reportable and Operating Segments	**Revenue**	**Results**	**Operating Results Margin**	Revenue	Results	Operating Results Margin
	RMB'000	***RMB'000***		*RMB'000*	*RMB'000*	
Polymers	**3,432,978**	**460,282**	**13.41%**	3,879,793	915,014	23.58%
Organic Silicone	**2,686,292**	**507,410**	**18.89%**	3,380,373	984,040	29.11%
Refrigerants	**2,677,890**	**355,368**	**13.27%**	3,260,154	805,467	24.71%
Dichloromethane, Polyvinyl Chloride ("PVC") and Liquid Alkali	**1,505,076**	**256,788**	**17.06%**	1,723,746	466,059	27.04%
Property development	**1,852,300**	**357,867**	**19.32%**	239,639	65,524	27.34%
Others	**804,156**	**331,634**	**41.24%**	1,735,232	105,745	6.09%
Consolidated	**12,958,692**	**2,269,349**	**17.50%**	14,218,937	3,341,849	23.50%

ANALYSIS OF REVENUE AND OPERATING RESULTS

During the year, the domestic and overseas economic conditions were unstable, domestic market for the fluorosilicic industry has been impacted to a certain extent and the downstream demand was low, resulting in a relatively low price of the industry products, which had certain effects on the results of the Group. Under the influence of this environment, results of most of the Group's operating segments declined significantly. Only the external sales and segment results of the operating segment "Property development", as well as the segment results "Others" operating segment has recorded growth.

Fluoropolymer

During the year, the fluorine-containing polymers segment's external sales was RMB3,432,978,000, representing a year-on-year decrease of 11.52% (2018: RMB3,879,793,000), accounting for 26.49% (2018: 27.29%) of the Group's total external sales. This segment is the one contributing the most to the Group's external sales. The results of the segment recorded a profit of RMB460,282,000, representing an decrease of 49.70% as compared with RMB915,014,000 in the same period of the previous year.

The decline in the results of fluorine-containing polymers was related to changes in the industry market. During the period, due to the unstable domestic and overseas economic situation, the market demand was impacted. Some products were affected the changes in the industry market to a greater extent, and the price dropped significantly compared with the same period last year. Among which, PTFE products were more affected since these products accounted for the largest proportion in this segment, and the decline in the amount of external sales had a greater impact on the external sales of the segment. Although the price of products reduced and the results declined accordingly, the Group leveraged its long-standing market advantages to secure customers and maintain a stable supply and demand relationship with customers, resulting in an increase in market share.

The Group relies on the internal supply of R22 for the production of TFE (a fluorocarbon), which is used by the Group for the production of polymers products such as PTFE (a synthetic fluoropolymer with high level of resistance to temperature changes, electrical insulation, and aging and chemical resistant that is used as a coating material and can also be further processed into high-end fine chemicals which can be widely applied in the chemicals, construction, electrical and electronics and automotive industries) and HFP (an important organic fluorochemical monomer, which can be used to produce various fine chemicals). Furthermore, the refrigerants segment of the Group supplied R22 and R142b as the raw materials for the production of a variety of downstream fluoropolymer fine chemicals including FEP (modified materials of PTFE, produced with HFP added in TFE, mainly used in the lining for wire insulation layer, thin-walled tube, heat shrinkable tubes, pumps, valves and pipes), FKM (Fluorine Rubber, a specialized fluorinated material, which is mainly used in the fields of aerospace, automotives, machinery and petro-chemistry because of its superior mechanical property, and excellent oil, chemical and heat resistance), PVDF (fluorocarbon made with R142b to produce VDF, mainly used as a fluorine coating resin, fluorinated powder coating resin and lithium battery electrode binding material and VDF), in which Huaxia Shenzhou has been engaging. Other fluorinated fine chemicals, including PPVE, PSVE, HFPO, formed another major production category of Huaxia Shenzhou.

Refrigerants

During the year, the organic silicone segment's external sales decreased by 17.86% to RMB2,677,890,000 from 3,260,154,000 in the previous year, accounting for 20.66% (2018: 22.93%) of the Group's total external sales. The result of the segment recorded a profit of RMB355,368,000, representing an decrease of 55.88% from a profit of RMB805,467,000 in the previous year.

Affected by the domestic and international economic conditions, downstream of the refrigerant segment was lowered and, meanwhile, the price of upstream raw materials decreased to a certain degree, leading the a drop in price of the segment products. Among which, R22 products were products subject to quota restriction. However, the price of R22 products decreased to a certain extent due to the lower prices of fluorite, hydrofluoric acid and other upstream raw materials. As the price of R22 has reached its historical high in 2018, the price of R22, though falling in the current year, was still at a reasonable price level.

The Group has the largest production capacity of R22 in the world. R22 is the Group's backbone refrigerants product. Moreover, R22 is the most widely used refrigerant in the PRC and is generally used in household appliances. Apart from that, it has been one of the key raw materials for the production of the fluoropolymers (i.e. PTFE, HFP and other downstream fluorinated chemicals) and R125. R125 and R32 are the key refrigerant mixture for other types of green refrigerants (such as R410a) to replace R22. Currently, R410a has been the principal replacing refrigerant which has been widely applied in inverter air conditioners and other green home appliances. R134a is broadly used in the refrigeration and air-conditioning systems in automobile air conditioners, while R152a is another key refrigerant product of the Group which can also be used as blowing agents, aerosols and cleaning agents. Apart from the fact that R142b can be used as refrigerant, temperature controller medium, and intermediates of aviation propellant, it can also be one of the main raw materials for the production of VDF.

Pursuant to the Montreal Protocol, R22 would be progressively phased out as a refrigerant by the end of 2030 and would be replaced by other green refrigerants. The Chinese government has stopped granting approval to the building up of new capacity for R22. Starting from 2013, the Chinese government has been enforcing a quota system for the sales of R22 as a refrigerant for all of the domestic R22 producers. On the other hand, R22 can be used as raw material for the production of the Fluoropolymer. Therefore, although the Group has a huge production capacity of R22, the saved production capacity of R22 as a refrigerant was devoted to the production of Fluoropolymer in order to cope with the increasing market demand for Fluoropolymer. With respect to the shortfall in the refrigerants' market after the phase-out of R22, the Group had strategic deployment for responding to the shortfall and the Group would continue to strive to strengthen its position as the world's largest producer of refrigerants.

Organic Silicone

During the year, the organic silicone segment's external sales decreased by 20.53% to RMB2,686,292,000 from 3,380,373,000 in the previous year, accounting for 20.73% (2018: 23.77%) of the Group's total external sales. The result of the segment recorded a profit of RMB507,410,000, representing an decrease of 48.44% from a profit of RMB984,040,000 in the previous year.

After the price fluctuations in the second half of 2018, the prices of the organic silicone industry were relatively stable during the year. Although the average price level was lower than that in 2018, the organic silicone segment maintained a considerable performance due to the Group's outstanding marketing strategies, excellent business management, long-standing market reputation and influence, and the great efforts of Dongyue Organosilicon teams, making it the operating segment with the most outstanding performance of the Group.

This segment mainly includes the production and sales of DMC (upstream organic silicone intermediates that are used as raw materials to produce deep processed mid-stream and downstream silicone products, such as silicone oils, silicone rubber and silicone resins), 107 Silicone Rubber, Raw Vulcanizate and Gross Rubber (collectively referred to as "Silicone Rubbers", deep processed organic silicone rubber products, where Raw Vulcanizate is a key material for producing Gross Rubber), and other by-products and other high-end downstream products, such as Gaseous Silica and Silicone Oils. Named as "Industrial MSG", organic silicone is widely applied in military, aviation, automotive, electronic, construction and other industries, mainly in the form of additives, treatment chemicals stabilizers, lubricants and sealants and is a key ingredient in industrial processes. The Group initially produces silicone monomers with silicone powder and internally generated chloromethane and further processes them to become silicone intermediates (mainly DMC), with certain portion of which the Group produces for Silicone Rubbers and other organic silicone products. The Group can also produce and generate other by-products and high-end downstream products, such as Gaseous Silica and Silicone Oils through its production processes.

Dichloromethane, PVC and Liquid Alkali

During the year under review, the segment's external sales decreased by 12.69% to RMB1,505,076,000 from 1,723,746,000 in the previous year, accounting for 11.61% (2018: 12.12%) of the Group's total external sales. The results of the segment recorded a profit of RMB256,788,000, representing a year-on-year decrease of 44.90% (2018: profit of RMB466,059,000). The products of this segment are chemical commodities with prices significantly affected by economic factors. During the year, the price of the industry products declined to a certain extent due to the unstable domestic and overseas economic conditions.

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

Property development

As at the date hereof, this segment included four property projects, which are located in Huantai County, Zibo City, Shandong Province, Zhangdian District, Zibo City, Shandong Province, Yucheng City, Shandong Province, and Zhangjiajie City, Hunan Province, respectively. The segment's external segment during the year was RMB1,852,300,000, representing an increase of 672.95% as compared to that in 2018 (2018: RMB239,639,000), accounting for 14.29% of the Group's total external sales. The segment result was RMB357,867,000, representing an increase of 446.1% as compared with that in 2018 (2018: RMB65,524,000). Due to the exceptional nature of the industries in the segment, the revenue of fewer items was recognized in 2018, therefore the amount of external sales in 2018 was lower. During the year, certain projects were included in the revenue, therefore the growth was more significant than that in 2018.

Others

During the year, the external sales of the segment was RMB804,156,000, representing a decrease of 53.66% as compared with RMB1,735,232,000 in the previous year. The results of the segment recorded a profit of RMB331,634,000 (2018: RMB105,745,000), representing a year-on-year increase of 213.62%, The result of the segment is closely related to the market environment, which was largely attributable to the volatile market conditions in this year.

This segment included the revenue from the production and sale of the Group's other by-products of the various operating segments, such as Ammonium Bifluoride, Hydrofluoric Acid, Bromine, and so on.

Distribution and Selling Expenses

During the year under review, the distribution and selling expenses increased by 2.1% to RMB366,263,000 from RMB358,726,000 of the previous year, which is attributable to the year-on-year increase in external sales volume and transportation distance resulted in an increase in transportation expenses, and the growth in property sales resulted in the increase in sales commission.

Administrative Expenses

During the year under review, the administrative expenses decreased by 14.96% to RMB665,666,000 from RMB782,735,000 of the previous year. The decrease is attributable to the year-on-year decrease in the results in 2019, the year-on-year decrease in allowances such as wages and bonus, resulted in a decrease in total employee remuneration.

Finance Costs

During the year under review, the finance costs increased by 3.49% to RMB100,528,000 from RMB97,135,000 of the previous year. This was mainly attributable to increase in average monthly loan balances of the Group during the year under review compared to previous year.

Capital Expenditure

For the year ended 31 December 2019, the Group's aggregate capital expenditure was approximately RMB1,365,954,000 (2018: RMB888,561,000). The Group's capital expenditure is mainly for the construction of factories, plant, equipment, production line and others under the expansion projects of the Group.

Liquidity and Financial Resources

The Group's financial position is sound with healthy working capital management and strong operational cash flow. As at 31 December 2019, the Group's total equity amounted to RMB8,955,623,000, representing a decrease of 4.6% as compared with that as at 31 December 2018. As at 31 December 2019, the Group's bank balances and cash totaled RMB2,943,792,000 (31 December 2018: RMB3,331,147,000). The decrease in the Group's bank balances and cash is mainly attributable to the decrease in sales during the year, as well as the increase in dividend and investment in fixed assets. During the year, the Group generated a total of RMB2,330,301,000 (for the year ended 31 December 2018: RMB3,873,382,000) net cash inflow from its operating activities. The current ratio[(1)] of the Group as at 31 December 2019 was 2.04 (31 December 2018: 1.78).

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

Spin-off and Seperate Listing of Shandong Dongyue Organosilicone Materials Co., Ltd. ("Dongyue Organosilicone")

On 12 October 2018, the Company announced that Dongyue Organosilicone (a non wholly-owned subsidiary of the Company) will issue certain number of new A shares on ChiNext of the Shenzhen Stock Exchange by way of initial public offering to the public in the PRC (the "Spin-off"). On 12 March 2020, Dongyue Organosilicone was successfully listed on ChiNext of the Shenzhen Stock Exchange by the issuance of 300,000,000 new A shares, representing 25% of the enlarged number of issued shares of Dongyue Organosilicone, at the final offer price of RMB6.9 per A share. The gross proceeds raised amounted to RMB2,070 million. Immediately upon completion of the Spin-off, the Company indirectly holds 57.75% interest in Dongyue Organosilicone, and therefore Dongyue Oganosilicone remains as a non-wholly-owned subsidiary of the Company.

The Spin-off constituted a deemed disposal of the Company's equity interest in Dongyue Organosilicone under Rule 14.29 of the Listing Rules and a Spin-off was approved by the shareholders of the Company at the extraordinary general meeting on 31 October 2018. Please refer to the announcements of the Company dated 29 March 2018, 12 October 2018, 12 November 2018, 4 November 2019, 28 November 2019 and 24 February 2020 and the circular of the Company dated 15 October 2018 for further details of the Spin-off.

Capital Structure

During the year under review, the Company did not repurchase or cancel any of the Company's listed securities. The number of issued shares of the Company was 2,111,689,455 as at 31 December 2019.

As at 31 December 2019, the borrowings of the Group totaled RMB1,931,150,000 (31 December 2018: RMB2,082,450,000). The gearing ratio[(2)] of the Group was -11.31% (31 December 2018:-13.30%). The negative gearing ratio as at 31 December 2019 represents the Group is "net cash" positive (i.e. has more cash & equivalents than its debt) which is usually a good sign.

The Group had no particular seasonal pattern of borrowing. As at 31 December 2019, the Group's borrowings comprised non-current portion (over 1 year) and current portion (within 1 year). The non-current portion of borrowings amounted to approximately RMB1,420,550,000 which are repayable in full after one year but not exceeding five years. The current portion of borrowings amounted to approximately RMB510,600,000. The Group's borrowings were made at fixed interest rates and floating rates. The weighted average effective interest rates on floating rate borrowings for the year ended 31 December 2019 were 5.61% (2018: 5.36%) per annum. As at 31 December 2019, all of the Group's borrowings bear variable interest rate (31 December 2018: 73.28% of the Group's borrowings bear variable interest rates while the remaining borrowings bear fixed interest rates).

As at 31 December 2018 and 2017, the Group's borrowings were denominated in RMB only.

Notes:

(1) Current Ratio = Current Assets ÷ Current Liabilities

(2) Gearing Ratio = Net Dept ÷ Total Equity

Net Debt = Total Borrowings – Bank Balances and Cash

Group Structure

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

Charge on Assets

As at 31 December 2019, the Group had certain property, plant and equipment and right-of-use assets/ lease prepayments with an aggregate carrying value of approximately RMB10,145,000 (31 December 2018: RMB10,747,000), and bank deposits of RMB309,241,000 (31 December 2018: RMB363,133,000), which were pledged to secure the Group's borrowings, the bills payable and deposits from presale of properties 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 United States dollars) were received/paid when the Group earned revenue from overseas customers and when settling purchases of machinery and equipment from the overseas suppliers.

In order to reduce the risk of holding foreign currencies, the Group normally converts the foreign currencies into RMB upon receipt while taking into account its foreign currencies payment schedule in the near future.

Employees and Remuneration Policy

The Group had 5,664 employees in total as at 31 December 2019 (31 December 2018: 5,876). The Group implemented its remuneration policy and bonus based on the performance of the Group and its employees. The Group provided benefits such as social insurance, employee option scheme and pensions to ensure remuneration competitiveness.

OTHER INFORMATION

Final Dividend

The Directors recommend the payment of a final dividend of HK$0.23 (the "Final Dividend") (2018: HK$0.35) per share in respect of the year 2019, to the shareholders whose names appear on the register of members of the Company (the "Register") on 18 June 2020, subject to the approval of the members of the Company at the Company's annual general meeting (the "AGM"). The Final Dividend is after excluding the applicable PRC income tax.

The AGM of the Company will be held on 9 June 2020. A notice of the AGM will be published and dispatched to the shareholders of the Company in due course.

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 Listing Rules. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year ended 31 December 2019 and all Directors confirmed that they have fully complied with the relevant requirements set out in the Model Code during the year.

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

During the year under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

Audit Committee

The audit committee of the Company was established on 16 November 2007 in accordance with Appendix 14 to the Listing Rules. The existing audit committee comprises Mr. Ting Leung Huel, Stephen (Chairman), Mr. Yue Rundong and Mr. Yang Xiaoyong, all being independent non-executive Directors.

The audit committee met with the management on 24 March 2020, to review the accounting standards and practices adopted by the Group and to discuss matters regarding internal control and financial reporting including the review of the Group's annual results for the year ended 31 December 2019 before proposing them to the Board for approval.

Remuneration Committee

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

Nomination Committee

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

Corporate Governance Committee

The Company established a corporate governance committee with written terms of reference on 21 March 2013 to be responsible for reviewing the Company's policies and practices on corporate governance, the Company's compliance with the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules, the relevant disclosure in the report on corporate governance code and other related matters. Mr. Zhang Jianhong was appointed as the chairman of the corporate governance committee and Mr. Liu Chuanqi and Mr. Zhang Bishu were appointed as the members of the corporate governance committee.

Risk Management Committee

The Company established a risk management committee with written terms of reference on 13 August 2015 to review and advise the risk management and internal control of the Company and other related matters. Mr. Ting Leung Huel, Stephen was appointed as the chairman of the risk management committee and Mr. Yang Xiaoyong and Mr. Yue Rundong were appointed as the members of the risk management committee.

Compliance with the Corporate Governance Code

Throughout the year ended 31 December 2018, save as disclosed below, the Company has complied with the CG Code.

Code Provision A.2.1

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

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

ANNOUNCEMENT OF ANNUAL RESULTS AND PUBLICATION OF ANNUAL REPORT

This annual results announcement is published on the Company's website at www.dongyuechem.com and the website of the HKSE at www.hkexnews.hk. The Annual Report will also be available at the websites of the Company and the HKSE and will be dispatched to shareholders of the Company in April 2020.

(2) Closure of Register of Members

The Board announces that the Register will be closed from 4 June to 9 June 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all share transfers, accompanied by the relevant share certificates, must be lodged with the branch share registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 3 June 2020.

The Board further announces that the Register will be closed from 15 June to 18 June 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the Final Dividend, all share transfers, accompanied by the relevant share certificates, must be lodged with the branch share registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 12 June 2020.

The expected date for payment of the Final Dividend is 17 July 2020.

By Order of the Board
Dongyue Group Limited
Zhang Jianhong
Chairman

The PRC, 28 March 2020

As at the date of this announcement, the Board comprised Mr. Zhang Jianhong, Mr. Fu Kwan, Mr. Liu Chuanqi, Mr. Zhang Zhefeng, Mr. Zhang Bishu and Mr. Zhang Jian as executive Directors; and Mr. Ting Leung Huel, Stephen, Mr. Yue Rundong and Mr. Yang Xiaoyong as independent non-executive Directors.