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 2020 AND (2) CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS
(in RMB million, unless otherwise stated)

	Financial Year ended 31 December	
	2020	2019
Revenue	**10,044**	12,959
Gross profit	**2,245**	3,446
Gross profit margin	**22.35%**	26.59%
Profit before taxation	**1,017**	2,120
Profit for the year	**903**	1,742
Profit for the year attributable to the shareholders	**772**	1,463
Basic earnings per share (RMB)	**0.37**	0.70
Final dividend per share (HK$)	**0.14**	0.23

	As at	
	31 December 2020	31 December 2019
Total Equity	**10,531**	8,956
Net Assets per Share (RMB)	**4.99**	4.28

(1) Announcement of Annual Results for 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	4	**10,044,313**	12,958,692
Cost of sales		**(7,799,717)**	(9,512,770)
Gross profit		**2,244,596**	3,445,922
Other income and other net (loss)/gain	5	**136,207**	138,523
Distribution and selling expenses		**(353,683)**	(366,263)
Administrative and other expenses		**(356,845)**	(668,112)
Gain on deemed disposal of a subsidiary		**40,850**	–
Research and development costs		**(590,471)**	(329,242)
Fair value change on financial asset at fair value through profit or loss ("FVTPL")		**(3,978)**	–
Share of profit from an associate		**4,505**	–
Finance costs	6	**(104,560)**	(100,528)
Profit before taxation		**1,016,621**	2,120,300
Income tax expense	7	**(113,765)**	(378,019)
Profit for the year	8	**902,856**	1,742,281
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Fair value loss on equity instruments at fair value through other comprehensive income ("FVTOCI")		**(279,531)**	(1,119,292)
Total comprehensive income for the year		**623,325**	622,989
Profit attributable to:			
– Owners of the Company		**772,167**	1,462,974
– Non-controlling interests		**130,689**	279,307
		902,856	1,742,281
Total comprehensive income for the year attributable to:			
– Owners of the Company		**492,636**	343,682
– Non-controlling interests		**130,689**	279,307
		623,325	622,989
Earnings per share			
Basic and diluted (RMB)	9	**0.37**	0.70

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current Assets			
Property, plant and equipment		**5,431,745**	4,608,674
Right-of-use assets		**752,591**	690,518
Prepayments for purchase of property, plant and equipment		**187,879**	172,027
Interests in an associate		**178,030**	–
Intangible assets		**61,320**	70,202
Equity instruments at FVTOCI	*11*	**402,177**	668,708
Financial asset at FVTPL		**15,799**	–
Deferred tax assets		**56,360**	53,984
Goodwill		**123,420**	123,420
		7,209,321	6,387,533
Current Assets			
Inventories		**878,046**	981,472
Properties for sale		**2,740,757**	2,605,832
Trade and other receivables	*12*	**1,727,219**	1,703,469
Pledged bank deposits		**290,788**	309,241
Bank balances and cash		**4,275,728**	2,943,792
		9,912,538	8,543,806
Current Liabilities			
Trade and other payables	*13*	**4,252,985**	3,559,802
Borrowings	*14*	**1,406,650**	510,600
Tax liabilities		**47,044**	87,395
Lease liabilities		**4,827**	4,795
Deferred income		**19,569**	23,444
		5,731,075	4,186,036
Net Current Assets		**4,181,463**	4,357,770
Total Assets less Current Liabilities		**11,390,784**	10,745,303

	Notes	2020 *RMB'000*	2019 *RMB'000*
Capital and reserves			
Share capital		**200,397**	200,397
Reserves		**8,341,909**	7,679,622
Equity attributable to the owners of the Company		**8,542,306**	7,880,019
Non-controlling interests		**1,988,206**	1,075,604
Total equity		**10,530,512**	8,955,623
Non-current Liabilities			
Deferred tax liabilities		**78,749**	58,929
Borrowings	*14*	**497,900**	1,420,550
Lease liabilities		**39,894**	44,810
Deferred income		**243,729**	265,391
		860,272	1,789,680
		11,390,784	10,745,303

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by International Accounting Standards Board. 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 AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

(a) Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(i) Impacts on application of Amendments to IAS 1 and IAS 8 Definition of Material

The Group has applied the Amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

(ii) Impacts on application of Amendments to IFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The application of the amendments in the current year had no impact on the consolidated financial statements.

(iii) Impacts on application of Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform

The Group has applied the amendments for the first time in the current year. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform. The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures.

The application of the amendments in the current year had no impact on the consolidated financial statements.

(b) New and amendments to IFRSs in issue but not yet effective

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

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendment to IFRS 16	Covid-19-Related Rent Concessions	1 June 2020
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRSs	Annual Improvements to IFRSs 2018 – 2020	1 January 2022

Except for the new and amendments to IFRSs mentioned below, the directors anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

(i) Amendment to IFRS 16 Covid-19-Related Rent Concessions

The amendment is effective for annual reporting periods beginning on or after 1 June 2020.

The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19 related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

– the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

– any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

– there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 Leases if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application is not expected to have impact on the Group's financial position and performance as the Group does not intend to apply the practical expedient.

(ii) Amendments to IFRS 3 Reference to the Conceptual Framework

The amendments:

– update a reference in IFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);

– add a requirement that, for transactions and other events within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, an acquirer applies IAS 37 or IFRIC-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

– add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

(iii) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying IFRS 7 Financial Instruments: Disclosures to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRSs requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16;

- **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

(iv) Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

(v) Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

– specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

– clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 Financial Instruments: Presentation.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

(vi) Amendments to IFRSs Annual Improvements to IFRSs 2018 – 2020

The annual improvements make amendments to the following standards.

IFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

IAS 41 Agriculture

The amendment ensures consistency with the requirements in IFRS 13 Fair Value Measurement by removing the requirement in paragraph 22 of IAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

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:

	Chemical products		Property development		Total	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Types of goods or service						
Sales of chemical product						
Polymers	**3,191,941**	3,432,978	**–**	–	**3,191,941**	3,432,978
Refrigerants	**2,066,120**	2,677,890	**–**	–	**2,066,120**	2,677,890
Organic silicone	**2,453,749**	2,686,292	**–**	–	**2,453,749**	2,686,292
Dichloromethane PVC and liquid alkali	**1,224,183**	1,505,076	**–**	–	**1,224,183**	1,505,076
	8,935,993	10,302,236	**–**	–	**8,935,993**	10,302,236
Other operations	**383,202**	804,156	**–**	–	**383,202**	804,156
Property development	**–**	–	**725,118**	1,852,300	**725,118**	1,852,300
Total	**9,319,195**	11,106,392	**725,118**	1,852,300	**10,044,313**	12,958,692

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 ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of products and property development. This is the basis upon which the Group is organised.

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

– Polymers;

– Refrigerants;

– Organic silicone;

– Dichloromethane, PVC and liquid alkali;

– Property development – development of residential properties in Shandong and Hunan Province, the PRC.

– Other operations – manufacturing and sales of side- products of refrigerants segment, polymers segment, organic silicone segment and dichloromethane, PVC and liquid alkali segment.

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

For the year ended 31 December 2020

	Polymers RMB'000	Refrigerants RMB'000	Organic Silicone RMB'000	Dichloromethane PVC and liquid alkali RMB'000	Property development RMB'000	Other operations RMB'000	Eliminations RMB'000	Total RMB'000
External sales	3,191,941	2,066,120	2,453,749	1,224,183	725,118	383,202	–	10,044,313
Inter-segment sales	–	1,475,856	–	15,434	–	677,725	(2,169,015)	–
Total revenue – segment revenue	3,191,941	3,541,976	2,453,749	1,239,617	725,118	1,060,927	(2,169,015)	10,044,313
SEGMENT RESULTS	436,461	189,464	281,494	42,294	102,066	57,463	–	1,109,242
Unallocated corporate expenses								(29,438)
Finance costs								(104,560)
Gain on deemed disposal of a subsidiary								40,850
Fair value change on financial asset at FVTPL								(3,978)
Share of profit from an associate								4,505
Profit before taxation								1,016,621

For the year ended 31 December 2019

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

Segment results represent the results of each segment without allocation of unallocated other income, other expenses and central administration costs, directors' salaries, and finance costs. This is the measure reported to the CODM 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 CODM 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 polymers segment by products from external customers

	2020	2019
	RMB'000	*RMB'000*
Polytetrafluoroethylene (PTFE)	**1,694,148**	1,760,017
Hexafluoropropylene (HFP)	**172,724**	306,684
Perfluorocyclobutane	**79,243**	61,842
Fluorinated ethylene propylene (FEP)	**445,359**	471,189
Polyvinylidene fluoride (PVDF)	**493,020**	554,170
Fluorine rubber (FKM)	**172,381**	152,364
Vinylidene fluoride (VDF)	**5,869**	15,709
Others	**129,197**	111,003
	3,191,941	3,432,978

Information about revenue from refrigerants segment by products from external customers

	2020	2019
	RMB'000	*RMB'000*
Monochlorodifluoromethane (HCFC-22)	**740,020**	1,104,308
Tetrafluoroethane (R134a)	**148,715**	236,828
Pentafluoroethane (R125)	**15,530**	39,606
R410a	**239,425**	256,699
R142b	**147,942**	222,892
R152a	**120,805**	144,259
R32	**414,933**	312,312
R507A	**17,200**	2,416
R407C	**16,825**	14,301
Others	**204,725**	344,269
	2,066,120	2,677,890

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

	2020	2019
	RMB'000	*RMB'000*
DMC (Dimethylcyclosiloxane)	**18,479**	131,543
107 Silicone Rubber	**1,228,615**	1,196,166
Raw Vulcanizate	**384,957**	387,499
Gross Rubber	**246,175**	191,890
Gaseous Silica	**87,121**	118,196
DMC Hydrolysate	**17,559**	82,982
Trimethylchlorosilane	**132,209**	173,562
Methyldichlorosilane	**7,686**	22,023
DMC Lineament	**34,644**	81,098
D4 (Octamethyl Cyclotetrasiloxane)	**60**	19
D3	**8,322**	–
Dimethyl silicone oil	**93,313**	120,923
Others	**194,609**	180,391
	2,453,749	2,686,292

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

	2020	2019
	RMB'000	*RMB'000*
PVC	**614,796**	646,794
Dichloromethane	**170,088**	275,788
Liqui alkali	**439,299**	582,494
	1,224,183	1,505,076

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

	2020	2019
	RMB'000	*RMB'000*
Methanol	**38,949**	305,495
HFCs (hydro fluorocarbons)	**35,261**	166,700
AHF (Anhydrous Fluoride)	**3,013**	7,800
Ammonium Bifluoride	**49,695**	54,478
Hydrofluoric Acid	**46,200**	27,125
Bromine	**48,949**	56,359
Neutral glue	**26,183**	20,263
Fluorgypsum	**14,824**	12,925
Others	**120,128**	153,011
	383,202	804,156

Information about major customers

There was no revenue from a single customer that contributed over 10% of the total sales of the Group both years ended 31 December 2020 and 2019.

Geographical information

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

	2020	2019
	RMB'000	*RMB'000*
PRC	**8,498,807**	10,986,136
Asia (except PRC)		
– Japan	**267,938**	440,049
– South Korea	**363,054**	267,186
– India	**60,895**	46,013
– Singapore	**18,648**	39,473
– Thailand	**30,439**	37,390
– United Arab Emirates	**80,471**	63,070
– Pakistan	**33,143**	33,522
– Malaysia	**36,281**	35,182
– Kuwait	**14,779**	20,041
– Saudi Arabia	**6,821**	3,190
– Indonesia	**13,227**	9,417
– Israel	**2,628**	3,015
– Philippines	**4,812**	8,033
– Viet Nam	**25,491**	29,183
– Turkey	**62,817**	45,741
– Other countries	**15,636**	12,640
Subtotal	**1,037,080**	1,093,145

	2020	2019
	RMB'000	*RMB'000*
America		
– United States of America	**166,469**	347,799
– Brazil	**56,440**	182,030
– Chile	**1,548**	1,993
– Other countries	**39,752**	49,667
Subtotal	**264,209**	581,489

	2020	2019
	RMB'000	*RMB'000*
Europe		
– Italy	**103,059**	126,022
– England	**4,003**	6,419
– Russia	**11,301**	16,912
– Germany	**9,036**	20,682
– France	**9,498**	15,318
– Spain	**2,638**	5,405
– Belgium	**389**	5,782
– Poland	**3,603**	9,009
– Other countries	**37,274**	2,009
Subtotal	**180,801**	207,558

	2020	2019
	RMB'000	*RMB'000*
Africa		
– South Africa	**15,930**	33,556
– Egypt	**10,802**	13,750
– Nigeria	**22,486**	26,530
– Other countries	**4,851**	6,210
Subtotal	**54,069**	80,046
Other countries/regions	**9,347**	10,318
	10,044,313	12,958,692

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

Other segment information

	Polymers	Refrigerants	Organic Silicone	Dichloromethane PVC and liquid alkali	Property development	Other operations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2020							
Depreciation of property plant and equipment	**174,073**	**207,329**	**112,619**	**96,829**	**3,358**	**45,146**	**639,354**
Depreciation of right-of-use assets	**5,399**	**9,630**	**4,907**	**1,898**	**–**	**2,852**	**24,686**
Amortisation of intangible assets	**12,756**	**1,666**	**35**	**1,028**	**203**	**1,543**	**17,231**
(Reversal of)/impairment on trade receivables	**337**	**423**	**(1,986)**	**35**	**1,044**	**27**	**(120)**
Research and development costs	**237,950**	**102,437**	**180,418**	**22,682**	**–**	**46,984**	**590,471**
(Reversal of)/write-down of inventories	**–**	**(77)**	**803**	**(2,148)**	**–**	**(169)**	**(1,591)**
Loss/(gain) on disposals of property, plant and equipment	**4,810**	**(1,763)**	**(4,905)**	**(1,316)**	**200**	**(1,115)**	**(4,089)**
Gain on disposal of right-of-use assets	**(3,280)**	**–**	**–**	**–**	**–**	**(17)**	**(3,297)**
Fair value change on financial asset at FVTPL	**–**	**–**	**–**	**–**	**–**	**3,978**	**3,978**
Gain on deemed disposal of a subsidiary	**–**	**–**	**–**	**–**	**–**	**(40,850)**	**(40,850)**
Share of profit from an associate	**–**	**–**	**–**	**–**	**–**	**(4,505)**	**(4,505)**

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

5. OTHER INCOME AND OTHER NET (LOSS)/GAIN

	2020	2019
	RMB'000	*RMB'000*
Other income		
Government grants *(Note)*	**76,877**	59,248
Bank deposits interest income	**63,422**	37,349
Dividend income received from equity instruments at FVTOCI	**7,200**	10,800
Other interest income	**6,564**	581
Others	**18,734**	13,104
	172,797	121,082
Other net (loss)/gain		
Exchange difference, net	**(36,590)**	17,441
	136,207	138,523

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

6. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interests on:		
Bank loans wholly repayable within five years	**102,354**	98,074
Lease liabilities	**2,206**	2,454
	104,560	100,528

7. INCOME TAX EXPENSE

	2020 *RMB'000*	2019 *RMB'000*
Current tax		
PRC enterprise income tax ("EIT")		
– Current year	**95,820**	294,207
– Over provision in prior years	**(75,851)**	(97,340)
Land Appreciation Tax ("LAT")	**15,918**	18,798
	35,887	215,665
Deferred tax		
– Withholding tax for distributable profits of PRC subsidiaries	**22,991**	45,282
– Others	**54,887**	117,072
	77,878	162,354
Income tax expense	**113,765**	378,019

Tax charge mainly consists of income tax in the PRC attributable to the assessable profits of the Company's subsidiaries established in the PRC. Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2019: 25%), except for certain PRC subsidiaries being awarded the Advanced-Technology Enterprise Certificate and entitled for a tax reduction from 25% to 15%.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. PROFIT FOR THE YEAR

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

	2020	2019
	RMB'000	*RMB'000*
a) Staff costs (including director's emoluments):		
Short-term employee benefits	**632,995**	683,527
Post-employment benefits	**105,108**	79,776
Other staff welfare	**55,099**	40,030
Total staff costs	**793,202**	803,333
b) Other items:		
Amortisation of intangible assets (included in cost of sales)	**17,231**	14,692
Auditor's remuneration	**2,356**	2,467
Cost of inventories recognised as an expense	**7,525,683**	9,376,076
Depreciation of property, plant and equipment	**639,354**	552,653
Depreciation of right-of-use assets	**24,686**	22,768
Gain on disposal of intangible assets	**–**	(948)
Impairment on intangible assets	**–**	5,630
(Gain)/loss on disposals of property, plant and equipment	**(4,089)**	17,594
Gain on disposal of right-of-use assets	**(3,297)**	–
Fair value change on financial asset at FVTPL	**3,978**	–
Gain on deemed disposal of a subsidiary	**(40,850)**	–
Government grants	**(76,877)**	(59,248)
Exchange difference, net	**36,590**	(17,441)
(Reversal of)/impairment on trade receivables	**(120)**	1,379
Research and development costs	**590,471**	329,242
Reversal of impairment on property, plant and equipment	**–**	(3,128)
(Reversal of)/write-down of inventories (included in cost of sales)	**(1,591)**	10,577

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:

	2020	2019
	'000	*'000*
Earnings for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share *(RMB)*	**772,167**	1,462,974
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**2,060,231**	2,092,196

During the year ended 31 December 2020, 18,341,000 (2019: 42,579,000 ordinary shares) ordinary shares with amount of RMB54,640,000 (2019: RMB168,897,000) were purchased under employee share option scheme.

Other than the employee share option scheme, there is no ordinary shares were repurchased and no share has been cancelled during the year.

10. DIVIDENDS

	2020	2019
	RMB'000	*RMB'000*
Dividends paid during the year 2020: 2019 final dividend: HK$0.23 (2019: 2018 final dividend: HK$0.35) per share	**428,035**	632,418

Subsequent to the end of the reporting period, a final dividend HK$0.14 per share (2019: HK$0.23 per share), amounting to HK$295,636,000 (2019: HK$481,205,000) in respect of the year ended 31 December 2020, equivalent to RMB263,116,000 (2019: RMB428,035,000) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

11. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Note	**2020** *RMB'000*	2019 *RMB'000*
Unlisted equity securities, at fair value			
China MinSheng Investment Co., Ltd ("CMIC")	*(a)*	**198,763**	455,297
Taihe Asset Management Co. Ltd. ("Taihe")	*(b)*	**87,414**	110,411
Zibo Fluorosilicone Industrial Park Operation Management Co., Ltd. ("FIP")	*(c)*	**–**	100,000
Shandong Ziying Investment Co., Ltd. ("Ziying")	*(d)*	**116,000**	–
Shanghai Yiqing Technology. Co., Ltd. ("Shanghai Yiqing")	*(e)*	**–**	3,000
Shandong Peninsula Ocean Blue Economic Investment Co., Ltd. ("SPOBE")	*(f)*	**–**	–
Zibo ZhangDian Huitong Microfinance Co., Ltd. ("ZhangDian Huitong")	*(g)*	**–**	–
		402,177	668,708

The above unlisted equity instruments 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 instruments, 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 2020 and 2019. Based on CMIC's financial statements for the year ended 31 December 2020, and having considered the macroeconomic downturn, and the continuous deleveraging as well as the dual pressure on high level of corporate debts, the funding situation and cash flow of CMIC in 2020 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 RMB198,763,000 as at 31 December 2020 (2019: RMB455,297,000), fair value loss of approximately RMB256,534,000 (2019: RMB1,111,703,000) which had been included in other comprehensive expenses of the Group for the year ended 31 December 2020.

(b) Taihe is a private entity and was established in the PRC. Taihe was principally engaged in inter alia, 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 2020, the Group has paid RMB120 million. As at 31 December 2020, the directors of the Company considered the fair value of the investment of Taihe was approximately RMB87,414,000 (2019: RMB110,411,000) and a fair value loss of approximately RMB22,997,000 (2019: fair value gain of approximately RMB2,171,000) which had been recognised in other comprehensive income of the Group for the year ended 31 December 2020. The Company received dividend of RMB7,200,000 (2019: RMB10,800,000) from Taihe during the year ended 31 December 2020.

(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 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. During the year ended 31 December 2020, the equity instrument was disposed of with the consideration of RMB100,000,000. As at 31 December 2019, the directors of the Company considered the fair value of the in FIP was RMB100,000,000.

(d) Shandong Ziying Investment Co., Ltd. ("Ziying") is a private entity and was established in the PRC on 13 October 2009. Ziying and its subsidiaries were principally engaged in property development, investment activities, corporation management and financial advisory services. During the year ended 31 December 2020, the Group subscribed 18.92% equity interest of Ziying at a consideration of RMB116,000,000. As at 31 December 2020, the directors of the Company considered the fair value of the investment in Ziying was approximately RMB116,000,000.

(e) 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 held 15% equity interest of Shanghai Yiqing through an indirect subsidiary, Shandong Dongyue Future Hydrogen Energy Materials Co., Ltd. ("Future Hytrogen Energy") of the Company. The investment in Shanghai Yiqing was derecognised due to the deemed disposal of Future Hydrogen Energy.

(f) 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 at 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. 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 disposal.

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

12. TRADE AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade and bills receivables *(Note)*	**1,236,340**	1,235,225
Less: allowance for credit losses	**(4,112)**	(4,232)
	1,232,228	1,230,993
Prepayments for raw materials	**132,912**	172,554
Value added tax receivables	**127,575**	105,248
Prepaid land value increment tax	**21,785**	9,390
Deposit paid for property development	**58,217**	27,767
Deposits and other receivables	**154,502**	157,517
	1,727,219	1,703,469

Note: Included in the trade receivables are bills receivables amounting to RMB989,825,000 at 31 December 2020 (2019: RMB951,267,000).

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 and bills receivables, net of allowance for credit losses presented based on the invoice date.

	2020	2019
	RMB'000	*RMB'000*
Within 90 days	**714,383**	654,902
91 – 180 days	**515,283**	526,767
181 – 365 days	**2,562**	49,324
	1,232,228	1,230,993

13. TRADE AND OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**1,961,700**	1,661,147
Contract liabilities – sale of chemical products	**114,962**	110,645
Contract liabilities – sale of properties	**1,438,080**	826,555
Payroll payable	**315,045**	341,429
Payable for property, plant and equipment	**167,886**	103,170
Other tax payables	**40,270**	77,520
Construction cost payables for properties under development for sale	**78,403**	286,114
Other payables and accruals	**136,639**	153,222
	4,252,985	3,559,802

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

	2020	2019
	RMB'000	*RMB'000*
Within 30 days	**1,023,324**	1,064,166
31 – 90 days	**373,493**	410,407
91 – 180 days	**363,472**	83,322
181 – 365 days	**143,561**	67,312
1 – 2 years	**45,726**	19,708
More than 2 years	**12,124**	16,232
	1,961,700	1,661,147

14. BORROWINGS

	2020	2019
	RMB'000	*RMB'000*
Unsecured bank loans	**1,904,550**	1,888,550
Secured bank loans	**–**	42,600
	1,904,550	1,931,150
Less: amounts due within one year shown under current liabilities	**(1,406,650)**	(510,600)
Amounts show under non-current liabilities	**497,900**	1,420,550
Carrying amounts are repayable as follows:		
Within one year	**1,406,650**	510,600
More than one year, but not exceeding two years	**497,900**	100,000
More than two years, but not more than five years	**–**	1,320,550
	1,904,550	1,931,150

As at 31 December 2020, no secured bank loans were being secured by the Group's buildings and right-of-use assets (2019: secured bank loans of RMB42,600,000 being secured by the Group's buildings with aggregate carrying amount of RMB4,363,000 and right-of-use assets with aggregate carrying amount of RMB5,782,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Affected by various factors in 2020, the world economy has been in turmoil, which had a great impact on the supply and demand of the entire market, and the fluorosilicone market was inevitably impacted. In 2020, the price of a large number of products in the fluorosilicone industry was falling, and the profit margins of the industry were suppressed, resulting in a difficult operating environment. However, through adequate management, the Group has leveraged its advantages in industry chain as well as comprehensive support of its industry park, and has ensured normal production and operation. The Group has also made every endeavour to expand the market share, which allowed us to achieve an outstanding performance in difficult times and continue to strengthen the leading position of the Group in the industry.

BUSINESS REVIEW

1. Stable operation during the "pandemic"

At the beginning of 2020, the outbreak of "COVID-19" in China severely affected the normal life of the people nationwide. Numerous enterprises suspended operation and production due to the pandemic, and logistics and transportation were greatly affected. Under such severe circumstances, the management of the Group promptly realized the importance of pandemic prevention and control. The subsidiaries and departments of the Group took prompt action to formulate a plan for the pandemic prevention and control, and fully and strictly implemented it to ensure the normal production and operation of the Group. The Group also actively coordinated with the domestic pandemic prevention and control departments to resolve the transportation of raw materials and products to the utmost, so as to reduce the impact of logistics and transportation on the Group's supply chain and sales network. In response to the sluggish market demand, the Group further increased its sales efforts, expanded its customer base, enlarged the market share and developed the sales of high-end products in advance, which led to a slight increase in the Group's overall sales volume instead of a decrease in a shrinking market. The Group donated RMB8 million to fight the pandemic in addition to its own efforts in pandemic prevention and control, demonstrating the Group's social commitment and responsibility. The Group was awarded the honorary title of "Advanced Private Enterprise in Fighting COVID-19 Pandemic" by the All-China Federation of Industry and Commerce.

With the efforts from the Group's employees at all levels, the Group still produced at full capacity and achieved full sales during the period under review and maintained a leading position in the industry. During the period under review, the Group recorded a total revenue of RMB10,044 million, gross profit margin of 22.35% and a net profit of RMB903 million. During the period of economic downturn, the Group successfully overcame various unfavorable factors and achieved satisfying operating performance.

2. Significant results from capital operations

Shandong Dongyue Organosilicone Materials Co., Ltd ("Dongyue Organosilicone"), a subsidiary of the Group, was successfully listed on ChiNext of the Shenzhen Stock Exchange on 12 March 2020, raising RMB2,070 million in IPO, which provided substantial capital support for the further development of Dongyue Organosilicone.

On 9 April 2020, the Board passed a resolution that Shandong Dongyue Future Hydrogen Energy Materials Co., Ltd. ("Future Hydrogen Energy") would be independently issued and listed on the Science and Technology Innovation Board of Shanghai Stock Exchange. The fuel cell membrane produced by Future Hydrogen Energy is the core component of hydrogen energy equipment. Future Hydrogen Energy has world-leading technology. As hydrogen energy will become the development trend of energy storage and energy supply in the future, the spinoff and listing of Future Hydrogen Energy, if implemented, is expected to accelerate the development of future hydrogen energy business, broaden its financing channels, and also to enhance its development potential, competitiveness and industry position.

3. Adjusting R&D mechanism to enhance R&D capability

During the period under review, the Group brought in a number of industry experts, reorganized the Group's R&D organization structure, integrated R&D resources and formulated the Group's "14th Five-Year Plan" for innovative R&D. In 2020, the R&D expenses of the Group reached RMB590 million, representing a year-on-year increase of 79.34%. During the year under review, the Group launched more than 60 new grade products, submitted 98 patents applications and was granted approval of 31 patents, with one of the patents of the Group's subsidiary, Shandong Huaxia Shenzhou New Materials Co., Ltd. winning the National Patent Golden Award. The Group also participated in the formulation of 12 standards, including 2 national standards, 2 industry standards and 8 group standards. During the period under review, the Group also participated in a total of 27 external cooperation projects, all progressing smoothly. The Group has also actively applied for relevant policies, and a number of subsidiaries have obtained the high and new technology enterprise recognition. Currently, six subsidiaries of the Group have been recognized as the high and new technology enterprise, which has effectively reduced the tax paid by the Group. The Group has set up R&D centers in Beijing, Shanghai and Shenzhen, and the R&D of certain projects have been commenced. During the year, the number of R&D staff increased from 380 in 2019 to 430, including an increase of 4 staff with doctoral degrees or above.

4. Fruitful project construction

Project construction is an important measure for the Group to expand its scale and enhance its revenue. The Group has been striving to increase its project construction efforts in recent years, and 2020 is an important year for the Group's project construction. During the period under review, the Group's capital expenditure totaled approximately RMB1,900,497,000, representing an increase of 39.13% over that of RMB1,365,954,000 in 2019. During 2020, the Group has completed the R125 expansion project for the refrigerants segment to cope with the growing market demand. During the period, Future Hydrogen Energy completed the first phase of the new proton exchange membrane production line, with a production capacity of 500,000 m^2, which is now in operation, providing a guaranteed basis for the future marketization of Future Hydrogen Energy's proton exchange membranes. In terms of raw materials, the Group also completed an anhydrous hydrogen fluoride project to fill the demand for raw materials due to production expansion, and its scale of anhydrous hydrogen fluoride is ranked among the leaders of the world. The fund-raising investment project of Dongyue in organosilicon, namely 300,000-ton monomer and 200,000-ton deep-processing projects, are under construction, and upon completion of the project construction, Dongyue's organosilicon production capacity will be doubled, and it will vigorously develop the upstream raw material base and downstream processing, providing significantly increased revenue in organosilicon for Dongyue. In terms of fluorinated polymer materials, the Group is constructing 20,000-ton PTFE scale expansion project, which can cope with the current market environment of PTFE supply shortage. Currently, the Group is also constructing a large number of high-end fluoro-silicon material projects, which will be able to increase the added value of the products upon completion, contributing to the Group's revenue and providing an alternative of import substitution for the domestic material market. During the year, the Group also made great efforts in constructing environmental protection projects by completing hydrogen chloride recycling projects, waste alkali emission reduction projects, wastewater treatment projects and exhaust gas recovery projects during the period. These are the Group's contribution to sustainable production.

5. Comprehensive improvement in all aspects of management

During the market downturn, the Group further stabilized its production and operation through the improvement of management in all aspects, which became the impetus for the Group's pleasing performance. The Group's management improvement mainly focused on areas such as safety and environmental protection, capital management as well as internal control management.

In regard to safety and environmental protection, the Group has been implementing Dupont Safety Management System for three years and has now established a complete safety management system, which has reduced our safety hazards year by year. Through the development of information and automation system, the monitoring and early warning system as well as the emergency response system have been optimized, which reduced the number of high-risk operations of the Group year by year as well as the production safety risks. The Group has also made significant efforts to upgrade the pollution control technologies, construct pollution control facilities, and increase the emission reduction and waste recycling capacity. Currently, a number of our subsidiaries have achieved "zero" wastewater discharge.

In regard to capital management, during the period under review, the Group has established an interconnection with banks to safeguard the capital and form a complete capital management system. The Group has also actively utilized certain domestic fiscal and taxation policies introduced during the year under review to reduce expenses in all aspects, which significantly contributed to the satisfying performance of the Group.

In regard to internal control management, the Group conducted a number of special internal control audits to rectify various production and operation processes such as contracts, tenders and projects, in order to further improve the internal control system and prevent operational risks.

PROSPECT

2021 will be a new challenge for the Group. The Group needs to seize the opportunities brought by this challenge and will further expand the scale of production, optimize the product structure and enhance the level of R&D, so as to contribute to the domestic new materials substitution in China. In response to the current national requirements for high quality development of the industry and the schemes for "Peak Carbon Dioxide Emissions" and "Carbon Neutrality", we have the following development plans for 2021:

1. Accelerating Project Construction and Production

The management of the Group has fully discussed various future development plans, including a number of projects related to fluorine, silicone, membrane and hydrogen industries, which include energy supporting projects, supply chain integration projects, waste management projects, and high-end product production line construction projects. The Group has put forward the project of "Building a New Dongyue" and is fully prepared for the new industry landscape under the domestic and international economic situation.

Currently, the Group's projects under construction include a 20,000-ton high performance fluoropolymers project, and it is expected that the first phase of the project, a 10,000-ton polytetrafluoroethylene plant, will be completed in 2021, which will increase the Group's production capacity of polytetrafluoroethylene by 25% upon completion. The projects under construction also include a 5,000-ton FEP project that will double the Group's FEP production capacity upon completion, as well as a 2,000-ton PFA project that can significantly increase the Group's production capacity for high-end fluoropolymers at a high price level and will create substantial revenue and profit for the Group upon production and market launch. The fund-raising project of Dongyue Organosilicone's listing on ChiNext of the SZSE is also underway. After the completion of the 300,000-ton monomer and 200,000-ton downstream deep-processing projects, Dongyue Organosilicone's production capacity will be doubled and its downstream deep-processing production capacity will be enhanced by more than double. Moreover, a 100,000-ton chloromethane project and a 100,000-ton other methane chloride project are also underway, and the completion of these two projects will provide a good raw material auxiliary for the Group to enhance its production capacity for fluorine and silicone chemicals. The Group will acquire a local power plant in 2021 and carry out transformation. The acquisition and renovation will allow the Group to increase the capacity of 220 million kWh of electricity and 470,000 tons of steam per year. On this basis, the Group will also establish an energy center, which can ensure the energy support of the Group's industrial chain in the course of future development. In addition, a number of other projects will significantly enhance the Group's product capacity, environmental governance capability and upstream and downstream supporting production capability, which will improve the Group's competitiveness.

2. Implementing R&D innovation program

The Group has always insisted on independent innovation and attached great importance to research and development of technologies, thereby our R&D expenditure has been increasing in recent years. In 2021, the Group will further implement its R&D innovation program. Firstly, the Group will optimize the R&D system and talent training mechanism to introduce professional talents. Secondly, the Group will accelerate the establishment of R&D centers in Japan, Canada and Germany, acquire international professionals and strengthen its R&D capabilities. Thirdly, the Group will conduct further in-depth research and development on the four major industries of fluorine, silicone, membrane and hydrogen to extend to the high-end of the industrial chain and promote the application of fluorosilicone materials in 5G, new infrastructure, new energy and other areas. Lastly, the Group will boost the sales of new products and high-end products to increase the proportion of revenue from these products.

3. Increasing marketing efforts

The market condition in 2020 was tough due to the pandemic as well as the domestic and international economic situation. We expect that the domestic economy will probably rebound in 2021, which will be an opportunity for the Group to further accelerate its development. The Group will seize this opportunity to adjust its marketing strategy by increasing marketing efforts to expand the market in existing areas and explore new downstream applications, such as further exploration of applications in 5G, new infrastructure, new energy and other areas. Currently, high-end material applications are the most important direction for the Group's breakthrough. With the introduction of the "14th Five-Year Plan" in China, we will find greater downstream demand for fluoro-silicon materials, and the Group will do its best to cope with the growth in demand for fluoro-silicon materials in different areas.

4. Strengthening capital operation

On 12 January 2021, the Group announced the formation of a partnership fund, in which the Group established "Zibo Runxin Dongyue New Materials Equity Investment Fund Partnership Enterprise (Limited Partnership)" (淄博潤信東岳新材料股權投資基金合夥企業（有限合夥）) with Dongyue Organosilicone (a subsidiary of the Group), China Capital, and a local state-owned enterprise and other parties (see the Group's announcement for details). By establishing the Fund, the Group can leverage on the resources from the parties and the experience of China Capital to invest through the Fund in the chemical industries of fluoropolymers, organic silicone and other related materials and by doing so, discover and develop high-quality enterprises in the industry, and expand the Company's business within the trade without significant initial investments while at the same time and the Group may benefit from the potential synergies with these investee companies and their potential growth and financial return through income distribution of the Fund. The Fund will help further expand and strengthen the Group in the fluorine, silicone, membrane and hydrogen industries and facilitate the Group's development in the future.

Currently, the Group has started to conduct the corresponding inspections. It expects to achieve significant results in the industrial chain capital cooperation in the fluorine, silicone, membrane and hydrogen industry in 2021, laying a sound foundation for the Group's 14th Five-Year development plan.

In addition, for the listing of Future Hydrogen Energy, the Group will continue to support Future Hydrogen Energy's listing on the Science and Technology Innovation Board to achieve a breakthrough as soon as possible.

5. Further strengthening management capabilities

A solid management foundation is essential to maintain the normal production and sales of the Group. While the economy has not yet recovered, the Group will put great efforts to strengthen management in all aspects, including improving safety and environmental protection management, enhancing automation, informatization and intelligentization management of production equipment, optimizing customer service management as well as promoting costs and expenses management. The above management enhancements will allow the Group to stabilize production, maintain sales performance, reduce costs and enhance competitiveness. In 2020, the Group has achieved pleasing results in a difficult environment through outstanding management capabilities. In the face of the unknown year of 2021, we need to advance our management capabilities to ensure healthy and stable development of the Group.

In addition, as the current domestic and overseas economic environment is unstable and the compliance risk has increased, the Group needs to strengthen the assessment and management of compliance risk. In this regard, the Group will set up a dedicated department to specifically manage the compliance risks, in order to enhance the sensitivity to legal compliance and avoid illegal and non-compliance conducts, preventing the Group from suffering relevant losses.

Through the efforts Dongyue Group made in 2020, we successfully overcame the challenges brought by various uncertainties. It has been proved that we can not be defeated by these challenges; on the contrary, these challenges have streamlined our business and improved our development, making us stronger. In 2021, we will move forward in accordance with our development plans, strive to create good returns and repay all shareholders for their trust and support for the Group.

FINANCIAL REVIEW

Results Highlights

For the year ended 31 December 2020, the Group recorded revenue of approximately RMB10,044,313,000, representing a decrease of 22.49% over RMB12,958,692,000 in the previous year. The gross profit margin decrease to 22.35% (2019: 26.59%) and the operating results margin was 11.04% (2019: 17.50%). During the year under review, the Group recorded profit before taxation of approximately RMB1,016,621,000 (2019: RMB2,120,300,000), and net profit of approximately RMB902,856,000 (2019: RMB1,742,281,000), while consolidated profit attributable to the Company's owners was approximately RMB772,167,000 (2019: RMB1,462,974,000). Basic earnings per share was RMB0.37 (2019: RMB0.70).

The Board recommended the payment of a final dividend of HK$0.14 (2019: HK$0.23) per share to the shareholders whose names appear on the register of members of the Company on 21 June 2021.

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 2020 and 2019:

	For the year ended 31 December 2020			For the year ended 31 December 2019		
Reportable and Operating Segments	**Revenue**	**Results**	**Operating Results Margin**	Revenue	Results	Operating Results Margin
	RMB'000	***RMB'000***		*RMB'000*	*RMB'000*	
Polymers	**3,191,941**	**436,461**	**13.67%**	3,432,978	460,282	13.41%
Organic Silicone	**2,453,749**	**281,494**	**11.47%**	2,686,292	507,410	18.89%
Refrigerants	**2,066,120**	**189,464**	**9.17%**	2,677,890	355,368	13.27%
Dichloromethane, Polyvinyl Chloride ("PVC") and Liquid Alkali	**1,224,183**	**42,294**	**3.45%**	1,505,076	256,788	17.06%
Property development	**725,118**	**102,066**	**14.08%**	1,852,300	357,867	19.32%
Others	**383,202**	**57,463**	**15.00%**	804,156	331,634	41.24%
Consolidated	**10,044,313**	**1,109,242**	**11.04%**	12,958,692	2,269,349	17.51%

Analysis of Revenue and Operating Results

During the period under review, affected by the pandemic and changes in domestic and overseas economic conditions, the downstream demand was low and logistics transportation became one of the restrictions on production and sales. As the fluorosilicic industry has been impacted, the prices of most of the Group's business products have declined to varying degrees. The fluoropolymer segment was relatively less affected as its prices were more stable, while the other business segments were more affected.

Polymers

During the period under review, the external sales of Polymers segment was RMB3,191,941,000, representing a year-on-year decrease of 7.02% (2019: RMB3,432,978,000), accounting for 31.78% (2019: 26.49%) of the Group's total external sales. The results of the segment recorded a profit of RMB436,461,000, representing an decrease of 5.18% as compared with RMB460,282,000 in the same period of the previous year.

Currently, Polymer segment is the one which contributes the largest proportion to the Group's revenue and profit, and whose high value-added products account for a larger proportion. Benefiting from larger proportion of high-end products, the segment was less affected by market fluctuations, and maintained stable performance.

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 formed another major production category of Huaxia Shenzhou.

Refrigerants

During the period under review, the refrigerants segment's external sales decreased by 22.85% to RMB2,066,120,000 from RMB2,677,890,000 in the previous year, accounting for 20.57% (2019: 20.66%) of the Group's total external sales. The result of the segment recorded a profit of RMB189,464,000, representing a year-on-year decrease of 46.69% from a profit of RMB355,368,000 in 2019.

Faced with the pandemic and the domestic and overseas economic conditions, the downstream demand for refrigerants was subsequently low. And the difficult transportation of products in some areas also added to the decline in product price. In addition, 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. Starting from 2013, the Chinese government has been enforcing a quota system for the sales of R22 as a refrigerant for all R22 producers in China. During the period under review, the R22 quota was significantly reduced, resulting in a material decrease in the Group's revenue from the sales of R22 product.

Although the Group has a huge production capacity of R22 and is significantly affected by the quota system, the Group has used the saved production capacity of R22 to the production of Fluoropolymer in order to cope with the increasing market demand for Fluoropolymer, as R22 can be used as raw material for the production of Fluoropolymer. With respect to the shortfall in the refrigerants' market after the phase-out of R22, the Group had strategic deployment to respond to the shortfall and the Group would continue to strive to strengthen its position as the world's largest producer of refrigerants.

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.

Organic Silicone

During the year, the organic silicone segment's external sales decreased by 9.59% to RMB2,428,585,000 from RMB2,686,292,000 in the previous year, accounting for 24.18% (2019: 20.73%) of the Group's total external sales. The result of the segment recorded a profit of RMB278,756,000, representing a decrease of 45.06% from a profit of RMB507,410,000 in the previous year. Similarly, as a result of the pandemic and the domestic and overseas economic conditions, the price of products in the organic silicon segment was relatively unstable during the period under review, resulting in a significant decline in its performance.

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

Dichloromethane, PVC and Liquid Alkali

During the year under review, the segment's external sales decreased by 18.66% to RMB1,224,183,000 from RMB1,505,076,000 in the previous year, accounting for 12.39% (2019: 11.61%) of the Group's total external sales. The results of the segment recorded a profit of RMB42,294,000, representing a year-on-year decrease of 83.53% (2019: profit of RMB256,788,000). The products of this segment are chemical commodities and their prices are significantly affected by economic factors. During the year, the product price in the industry declined to a certain extent due to the pandemic and unstable domestic and overseas economic conditions.

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

Property Development

As at the date hereof, this segment includes four property projects, which are located in Huantai County, Zibo City, Shandong Province, Zhangdian District, Zibo City, Shandong Province, Yucheng City, Shandong Province, and Zhangjiajie City, Hunan Province, respectively. The segment's external sales during the year was RMB725,118,000, representing an decrease of 60.85% as compared to that in 2019 (2019: RMB1,852,300,000), accounting for 7.22% of the Group's total external sales. The segment result was RMB102,066,000, representing a decrease of 71.48% as compared with that in 2019 (2019: RMB357,867,000). We concentrated our delivery time for a number of projects in our business segment in 2019, and there was no significant concentration of delivery in 2020, resulting in a decrease in our revenue during the period under review.

Others

During the period under review, the external sales of the segment was RMB408,366,000, representing a decrease of 49.22% as compared with RMB804,156,000 in the previous year. The results of the segment recorded a profit of RMB60,201,000 (2019: RMB331,634,000), representing a year-on-year decrease of 81.85%. Since the performance of the segment was closely correlated to the market environment, it was to some extent affected by the volatile market in this year.

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

Distribution and Selling Expenses

During the year under review, the distribution and selling expenses decrease slightly by 3.43% to RMB353,683,000 from RMB366,263,000 of the previous year, which is attributable to the decrease in the sales revenue during the year.

Administrative Expenses

During the year under review, the administrative expenses decreased by 46.59% to RMB356,845,000 from RMB668,112,000 of the previous year. The decrease is attributable to the year-on-year decrease in the results in 2020, resulted in a decrease in total employee remuneration. In addition, the Group has carried out the saving campaign during the year, resulted in a decrease in administrative expenses.

Finance Costs

During the year under review, the finance costs increased by 4.01% to RMB104,560,000 from RMB100,528,000 of last year. During the year under review, the Group demanded a higher level of funding required for the new production lines. Although there is an increase in bank balances and cash resulting from the cash proceed received from the listing of Dongyue Organosilicone during the year, which could not be used by other subsidiaries for their construction projects. Therefore, the average loan balance of the Group increased slightly, resulting in a slight increase in financing costs. During the year under review, the net interest expenses of the Group was RMB34,574,000, representing a year-on-year decrease of 44.77% (2019: RMB62,598,000).

Capital Expenditure

For the year ended 31 December 2020, the Group's aggregate capital expenditure was approximately RMB1,900,497,000 (2019: RMB1,365,954,000). The Group's capital expenditure is mainly for the construction of the new production lines.

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 2020, the Group's total equity amounted to RMB10,530,512,000, representing a increase of 17.59% as compared with that as at 31 December 2019. As at 31 December 2020, the Group's bank balances and cash totaled RMB4,275,728,000 (2019: RMB2,943,792,000). The increase in the Group's bank balances and cash is mainly attributable the proceeds for the spin-off and separate listing of Dongyue Organosilicone were received. During the year, the Group generated a total of RMB2,260,565,000 (2019: RMB2,330,301,000) net cash inflow from its operating activities. The current ratio(1) of the Group as at 31 December 2020 was 1.73 (31 December 2019: 2.04).

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.

Proposed Spin-off and Separate Listing of Future Hydrogen Energy

On 9 April 2020, the Board has resolved to approve the spin-off of Future Hydrogen Energy (未來氫能) from the Group, which is primarily engaged in the business of production and sale of hydrogen energy materials, hydrogen membrane materials, packaging materials and fluoropolymer fiber, by way of separate offering and listing of Future Hydrogen Energy's shares on Sci-Tech innovation board (STAR Market) (科創板) of the Shanghai Stock Exchange (the "Proposed Spin-off").

The Proposed Spin-off is at a preliminary stage and the detailed terms of the Proposed Spin-off including the possible Pre-IPO investment are subject to further determination and final decisions of the Board, taking into account various factors including, among others, prevailing market conditions. The Company will comply with the relevant requirements under the Listing Rules (including Chapter 14 thereof) as and when appropriate.

Details of the Proposed Spin-off are set out in the Company announcement dated 9 April 2020.

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 2020.

As at 31 December 2020, the borrowings of the Group totaled RMB1,904,550,000 (2019: RMB1,931,150,000). The gearing ratio(2) of the Group was -29.06% (2019: -11.31%). The negative gearing ratio as at 31 December 2020 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 2020, 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 RMB497,900,000 which are repayable in full after one year but not exceeding five years. The current portion of borrowings amounted to approximately RMB1,406,650,000. The Group's borrowings were made at fixed interest rates and floating rates. The weighted average effective interest rates on floating rate borrowings and fixed rate borrowings for the year ended 31 December 2020 were 4.87% (2019: 5.61%) and 3.72% (2019: no fixed rate borrowings) per annum, respectively. As at 31 December 2020, 89.55% (31 December 2019: 100%) of the Group's borrowings bear variable interest rate.

As at 31 December 2020 and 2019, the Group's borrowings were denominated in RMB only.

Notes:

(1) Current Ratio = Current Assets ÷ Current Liabilities

(2) Gearing Ratio = Net Debt ÷ 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 2020, the Group's bank deposits of RMB290,788,000 (31 December 2019: RMB309,241,000) were used for bills payable, undrawn borrowing facilities, deposits of letters of credit and supervision deposit from pre-sale of properties. In accordance with the requirements of the real estate industry in China, real estate companies are required to deposit supervision deposits in their escrow account, which cannot be used until the completion of construction and the provision of residential mortgage loans for the customers. In 2020, the capital amount of the relevant section was RMB211,800,000 (2019: RMB256,122,000).

As at 31 December 2019, the Group has certain property, plant and equipment and right-of use assets/lease prepayments with an aggregate carrying value of approximately RMB10,145,000 pledged to the Group's borrowing but the relevant borrowing was fully repaid during the year ended 31 December 2020, therefore the respective pledged assets were released.

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 5,576 employees in total as at 31 December 2020 (2019: 5,664). 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$0.14 (the "Final Dividend") (2019: HK$0.23) per share in respect of the year 2020, to the shareholders whose names appear on the register of members of the Company (the "Register") on 21 June 2021, 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 10 June 2021. 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 2020 and all Directors confirmed that they have fully complied with the relevant requirements set out in the Model Code during the year.

Employee Option Scheme

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

Pursuant to the Employee Option Scheme, Shandong Dongyue Future Enterprise Management Consulting Services Co., Ltd., a wholly-owned subsidiary of the Company, as 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.

The cash dividends derived from the Shares under the Employee Option Scheme will form part of the residual cash of the trust fund which can be used to purchase Shares subject to instructions given to the Trustee.

During the year ended 31 December 2020, Shares in the amount of RMB54,640,000 (approximately HK$61,393,258) have been purchased by the Trustee under the Employee Option Scheme. No Options have been granted under the Employee Option Scheme during the reporting period and up to the date of this announcement. As at 31 December 2020, Shares in the amount of RMB223,539,000 (approximately HK$251,167,416) in total have been purchased and are held by the Trustee under the Employee Option Scheme.

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

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

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

During the year under review, other than as disclosed under the section "Employee Option Scheme", 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 2020.

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 3 March 2021, 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 2020 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.

Scope of Work of the Auditor

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Company's auditor, Elite Partners CPA Limited (the "Auditor"), to the amounts set out in the Group's audited consolidated financial statements for the year. The Work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on this announcement.

Compliance with the Corporate Governance Code

Throughout the year ended 31 December 2020, 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 7 June to 10 June 2021, 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 4 June 2021.

The Board further announces that the Register will be closed from 17 June to 21 June 2021, 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 16 June 2021.

The expected date for payment of the Final Dividend is 16 July 2021.

By Order of the Board
Dongyue Group Limited
Zhang Jianhong
Chairman

The PRC, 9 March 2021

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.