



東岳集團有限公司

DONGYUE GROUP LIMITED

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

股份代號 Stock Code: 0189

2014

Interim Report

二零一四年中期報告



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Corporate Information

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Mr. ZHANG Jianhong (*Chairman and Chief Executive Officer*)
Mr. FU Kwan
Mr. LIU Chuanqi (*President*)
Mr. CUI Tongzheng (*Vice President and Chief Financial Officer*)
Dr. WU Tao
Mr. ZHANG Jian

Independent Non-Executive Directors

Mr. TING Leung Huel, Stephen
Mr. LIU Yi
Mr. YUE Rundong

COMPANY SECRETARY

Mr. NG Kwok Choi

AUTHORIZED REPRESENTATIVES

Mr. FU Kwan
Mr. NG Kwok Choi

AUDIT COMMITTEE

Mr. TING Leung Huel, Stephen (*Chairman*)
Mr. LIU Yi
Mr. YUE Rundong

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

Mr. ZHANG Jianhong (*Chairman*)
Mr. LIU Chuanqi
Dr. WU Tao

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EXTERNAL LEGAL ADVISOR

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STOCK CODE

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Management Discussion and Analysis

BUSINESS REVIEW

In the first half of 2014, the prices of certain fluorochemical products of Dongyue Group Limited (the “Company”) and its subsidiaries (together the “Group”) were on the rebound, with the domestic and international market demand for fluorinated new materials continuing to grow and the fluorochemical industry showing signs of recovery. However, the prices of many fluorochemical products were still below the level for the same period last year while the positive prospects of the fluorinated new materials have stimulated the emergence of new capacity, as a result, the sustainability of such recovery has yet to be tested. While the demand of the organic silicone industry has been growing every year, the problems such as structural overcapacity and lack of innovation of the domestic manufacturers remained unsolved, with the product prices struggling at the low level. Facing both market opportunities and challenges, the Group took quick actions while taking full advantage of its superiorities in terms of brand, scale, R&D and innovation, and achieved the following encouraging results:

- I. The Group recorded significant growth in both sales volume and revenue. During the first half of 2014, the Group launched a campaign known as “Boost Output and Compete in Efficiency (創增量比效益)”, which was intended to increase production in a stable and efficient manner. The Group also actively launched new products and developed new customers through marketing activities such as the product launch activities held in Dubai and Beijing International Refrigeration Exhibition, and as a result, the product sales of its principal business segments, such as the Refrigerants, Polymers and Organic Silicone, all recorded remarkable growth, with their market shares further expanding. The sales revenue also shook off the depression for the last two years, with that of every business segment recording a year-on-year increase except for the Certified Emission Reduction (the “CER”) business.
- II. The product mix was more diversified, with broader scope of application. The Group launched 12 new products developed independently in the first half of 2014, including organic silicone products such as high-end liquid silicone rubber for food application, high-end liquid silicone rubber for LED packaging and dimethyl silicone oil as well as fluorinated polymers such as FEP for electronic wire application, fluorine rubber for oil seals and granule polyvinylidene fluoride materials, which secured new profit sources for the Group.
- III. The production process was also optimized, with cost effectiveness further enhanced. In the first half of 2014, aiming at resolving the deficiencies of the facilities and igniting their potentials, the Group kicked off 12 technology upgrade projects, e.g. recycling of heat residue from methyl chloride, recycling and transformation of PFOA, quality improvement and transformation of granulated materials, which remarkably optimized the existing production processes, improved product quality and comprehensive utilization of the by-products and further reduced the overall production costs.
- IV. The management expertise was further enhanced. During the first half of 2014, the Group focused on improving its internal management in terms of systematization and the application of forms and information technology while introducing advanced management concepts and the supporting systems and steadily implementing the online process review and approval system across the Group, so as to standardize the process and improve efficiency. Meanwhile, the Group organized a number of training sessions and seminars for the management personnel, which further improved the execution power of its employees.

FUTURE PROSPECTS

Since the beginning of this year, the world economy has been on the track of slow recovery, starting low but steady. It is expected such an average recovery trend can be maintained throughout the second half of the year. The economic policies introduced by the new leaders of China focusing on transformation have gradually brought China's economy into an era of slow growth. As seen in the existing circumstances, the prospects of the fluorochemical industry remained uncertain, and the overall recovery of the organic silicone industry is expected to take some time, given the present overcapacity pressure. Against this backdrop, the Group is to focus on the following areas on the basis of prudent operation while adhering to its basic guidelines known as Refresh Thoughts, Integrate Innovation, Enhance Management and Transform & Upgrade:

- I. Continuing to accelerate development of new products as well as new features and use of the existing products; Continuing to accelerate development of high-end fluoropolymers such as PFA, FEVE and FVMQ, so as to complete the industrialization process of the new products as soon as possible; Meanwhile, accelerating the process of elimination of outdated products and development of substitution of the existing products, accelerating transition of the products from singularity to diversity in terms of functionality and features.
- II. Accelerating optimization of the product evaluation system, and improving the technical services. Optimizing and upgrading the process evaluation system on a global scale, improving the evaluation standards and processing technology, so as to match the features of the products with market demand and provide a guarantee for R&D of new products and generally enhance the service.
- III. Continuing to optimize the systems and processes, and enhance the intensified management expertise; Under the guideline of informatization of the systems and processes, optimizing the systems and processes of the Group on a global scale and complete our work manuals, so as to establish an efficient, standard, regular and workable system of processes.
- IV. Accelerating construction of the innovation platform. Building the innovation platforms, recruiting talents on innovation and strengthening the Group's role in driving and supporting internal innovation based on its product chain, market demand and the status of technical expertise of the Group.
- V. Launching the customer credit management and evaluation system. Categorizing customers according to their strength, credit records, purchase stability and potential, clarifying their lines of credit and improving the rationality of the accounts receivable and customer credit management.

Fluorine and silicone materials, due to their irreplaceable excellent properties, are widely used in construction, electronic and IT, electrical appliance, automobile, textile, agriculture, pharmaceutical, petrochemical, aerospace, military, food and new energy industries and fields, with new applications and technologies constantly emerging and the overall demand growing year by year. As the only high-tech enterprise spanning across the organic fluorine and organic silicone sectors in China, the Company is destined to be the biggest beneficiary of the development of silicon and fluoride industry. The management of the Company is highly confident of the future development of the Group, and will follow the latest development trend of fluorine and silicone industry, while maintaining a sound and stable operation, so as to generate stable and long-term returns on the investment of our shareholders.

FINANCIAL REVIEW

Results Highlights

For the six months ended 30 June 2014, the Group recorded revenue of approximately RMB3,511,830,000, representing an increase of 9.89% over RMB3,195,844,000 of the corresponding period last year. The gross profit margin decreased to 14.62% (corresponding period of 2013: 16.02%) and the consolidated segment results margin* was 11.05% (corresponding period of 2013: 11.25%). The operating results margin was 10.03% (corresponding period of 2013: 9.66%). During the period, the Group recorded profit before tax of approximately RMB269,059,000 (corresponding period of 2013: RMB245,498,000), and net profit of approximately RMB194,628,000 (corresponding period of 2013: RMB190,339,000), while consolidated profit attributable to the Company's owners was approximately RMB191,607,000 (corresponding period of 2013: RMB211,711,000). Basic earnings per share were RMB0.09 (corresponding period of 2013: RMB0.10). The unaudited consolidated results of the Group have been reviewed by the Audit Committee and the external auditor of the Company.

* Consolidated Segment Results ÷ Revenue × 100%

Segment Revenue and Operating Results

Set out below is the comparison, by reportable and operating segments, of the Group's revenue and results for the six months ended 30 June 2014 and the six months ended 30 June 2013:

Reportable and Operating Segments	For the six months ended 30 June 2014			For the six months ended 30 June 2013		
	Revenue RMB'000	Results RMB'000	Operating Results Margin	Revenue RMB'000	Results RMB'000	Operating Results Margin
Polymers	1,138,797	207,302	18.20%	984,190	295,890	30.06%
Organic Silicone	738,384	(27,323)	-3.70%	662,152	23,250	3.51%
Refrigerants	1,563,974	191,816	12.26%	1,473,060	25,091	1.70%
Dichloromethane, Polyvinyl Chloride ("PVC") and Liquid Alkali	633,598	13,234	2.09%	455,219	(36,221)	-7.96%
Property Development	–	(9,345)	–	–	(6,476)	–
Others	326,363	12,426	3.81%	326,463	57,939	17.75%
	4,401,116	388,110	8.82%	3,901,084	359,473	9.21%
Less: Inter-segment sales	(889,286)	–	–	(705,240)	–	–
Consolidated	3,511,830	388,110	11.05%	3,195,844	359,473	11.25%

Analysis of Revenue and Operating Results

During the period, although there showed signs of progressive macro-economic recovery in United States and European countries, foreign industrial and manufacturing markets did not in general demonstrate strong economic recovery momentum. Furthermore, as a result of structural economic adjustment of the People's Republic of China (the "PRC"), the slowdown in the domestic economic growth continued and the manufacturers were prudent in setting out their production strategies, which adversely affected the market demand for majority of industrial and manufacturing products. In this accord, except for 3,000 tonnes per annum of PVDF (Polyvinylidene Fluoride) and 5,000 tonnes per annum of VDF (Vinylidene Fluoride) (both belonging to downstream products within the Polymers segment), the Group had no massive new capacities coming into operation during the period.

However, having regard to the wide applicability of the fluorochemical and organic silicone products with favourable characters, the market demand still showed constant growth during the period. With its scalable vertically integrated self-sufficient value chain, the Group continued to capitalize on its leading market position, strong R&D capabilities and extensive sales network, to upgrade its technology level, to optimize its product mix and to develop and promote new products. As a result, during the period under review, the Group still progressed by increasing its overall production and sales volumes year-on-year for all of its operating segments of the Group except the CER business. Nevertheless, the domestic fluorochemical and organic silicone markets had faced up with intense competition and structural overcapacity issues with numerous low-end products emerging in the market, which led to a decrease in the selling prices of majority of its fluorochemical and organic silicone products year-on-year. Although (1) the Group experienced improvements in its Refrigerants segment and its Dichloromethane, PVC and Liquid Alkali segment, which were mainly attributable to the substantial increase in the price of R22 (a principal product within its Refrigerant segment), improvement in the business condition in the domestic chloride methane markets (mainly dichloromethane and trichloromethane (a main raw material for its Refrigerants products)), and (2) the Group consolidated the financial results of Shandong Huaxia Shenzhou New Materials Co. Ltd. ("Huaxia Shenzhou") for the whole of 2014 interim period, there had been a significant drop in the selling prices of the products in the Polymers segment and the Organic Silicone segment turned into operating losses during the period, which led to a drop in both of the gross profit and consolidated segment results margins of the Group year-on-year. Such situation was further aggravated with that there had been no production and sales of CER units during the period.

Polymers

Thanks to the full-period consolidation of Huaxia Shenzhou's financial results by the Group and its year-on-year aggregate sales volume growth, the revenue from the Polymers segment increased by 15.71% to RMB1,138,797,000 from RMB984,190,000 of the corresponding period last year. Despite the year-on-year decrease in the selling prices of the Group's polymers products resulting from the emerging of excessive new production capacities in the market, the Polymers segment remained to be the largest revenue contributor to the Group's revenue, accounting for approximately 32.43% (corresponding period of 2013: 30.80%). Polymers segment, together with the Organic Silicone segment, fall within the "New Material Industry of the PRC" with huge potential, business prospects and government support. During the period, the Group continued with its strategy in developing and promoting new products, giving rise to potential new profit drivers for the Group.

Management Discussion and Analysis

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 such polymers products as PTFE (a synthetic fluoropolymer with high level of resistance to temperature changes, electrical insulation, and ageing and chemical resistant that is used as a coating material and can also be further processed into high-end fine chemicals which can be widely applied in the chemicals, construction, electrical and electronics and automotive industries) and HFP (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 (Fluorinated Ethylene Propylene, 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 produced with VDF, HFP and TFE, which is mainly used in the fields of aerospace, automotives, machinery and petro-chemistry because of its superior mechanical property, and excellent oil, chemical and heat resistance), PVDF (fluorocarbon made with R142b to produce VDF, mainly used as a fluorine coating resin, fluorinated powder coating resin and lithium battery electrode binding material) and VDF, in which Huaxia Shenzhou has been engaging. Other fluorinated fine chemicals, including PPVE, PSVE, HFPO, formed another major production category of Huaxia Shenzhou.

Coupled with the increase of 10,000 tonnes per annum of TFE and 12,000 tonnes per annum of PTFE during 2013, the expansion of new production capacities of VDF and PVDF in April 2014, and the launching of new PTFE and other downstream polymers products, during the period under review, the Group was able to capitalize on the steady growth in the domestic and foreign polymers market and record substantial growth in the sales volumes of PTFE, HFP, FEP, FKM and PVDF year-on-year. These can mitigate the negative impacts arising from the fall in the selling prices, leading to the rise in the sales revenue of this segment.

This segment contributed 53.41% (corresponding period of 2013: 82.31%) to the total segment results of the Group, while its segment results margin decreased to 18.20% from 30.06% of the corresponding period last year. Such decrease resulted from the significant rise in the raw materials cost (R22), in respect of which the Group maintained nearly 100% self-sufficiency ratio, and the decrease in the selling prices of the Group's polymers products.

Organic Silicone

Accounting for 21.01% (excluding inter-segment sales) of the consolidated revenue of the Group for the period under review, the revenue coming from the Organic Silicone business segment increased by 11.51% to RMB738,384,000 from RMB662,152,000. This segment mainly includes the production and sales of DMC (upstream organic silicone intermediates that are used as raw materials to produce deep proceeded mid-stream and downstream silicone products, such as silicone oils, silicone rubber and silicone resins), 107 Silicone Rubber, Raw Vulcanizate and Gross Rubber (collectively referred to as "Silicone Rubbers", deep proceeded silicone rubber products, where Raw Vulcanizate is a key raw 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 are a key ingredient in industrial processes. The Group initially produces silicone monomers with silicone powder and internally-generated chloromethane and further processes them to become silicone intermediates (mainly DMC), with certain portion of which the Group produces Silicone Rubbers and other organic silicone products). The Group can also be able to produce and generate other by-products and high-end downstream products, such as Gaseous Silica and Silicone Oils through its production processes.

Same for the Polymers segment, the Group's strategy in the Organic Silicone segment is to devise and develop new downstream products with higher profit margins. The expansion in the production capacities of Silicone Rubbers and Gaseous Silica in 2013 had led to the significant year-on-year increase in the sales volume of these two categories, which had been partly mitigated by the decrease in the sales volume of DMC as a result of increase in the internal consumption. Despite the year-on-year decrease in the selling prices of the Group's organic silicone products resulting from the re-emerging of excessive new production capacities, the Group was still be able to record moderate increase in its sales revenue of this business segment year-on-year.

During the period, as a result of the decrease in the average selling prices of DMC, Silicone Rubbers and Gaseous Silica year-on-year, coupled with the increase in raw material costs of silicone powder and chloromethane, the Organic Silicone segment recorded segment loss of RMB27,323,000, compared to segment profit of RMB23,250,000 for the corresponding period last year, which translated to segment results margin of -3.70% (corresponding period of 2013: 3.51%).

Refrigerants

During the period, the Refrigerants segment accounted for approximately 26.96% (excluding inter-segment sales) (corresponding period of 2013: 31.42%) of the Group's revenue. Due to the increase in the selling price of R22 and increase in the aggregate sales volume of the refrigerants products, the revenue of the Refrigerants segment increased by 6.17% to RMB1,563,974,000 from RMB1,473,060,000 of the corresponding period last year, notwithstanding the decrease in the average selling prices of other refrigerants products. This segment includes the revenue from the manufacturing and sales of traditional refrigerants products (mainly R22), new green and environmental-friendly refrigerants products (mainly R32, R125, R134a and R410a and so forth) and other types of refrigerants products (mainly R142b and R152a and so forth). The Group produces and sells refrigerants products externally to both domestic and international customers and internally (mainly R22 and R142b) for its Polymers business segment.

As the backbone refrigerants product of the Group with the largest production capacity in the world, R22 is the most widely used refrigerant in the PRC and is generally used in household appliances. Apart from that, it has been one of the key raw materials for the production of the fluoropolymers (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, or intermediates of aviation propellant, it can also be one of the main raw materials for the production of VDF.

Pursuant to the Montreal Protocol, R22 would be progressively phased out as a refrigerant by the end of 2030 and would be replaced by other green refrigerants. The Chinese government has stopped granting approval to the building up of new R22 capacity. Starting from 2013, the Chinese government has been enforcing a quota system for the sales of R22 as a refrigerant or ozone depleting substances for all of the domestic R22 producers and for the years of 2013 and 2014, the Group has been granted the same quota quantity. As a result, the year-on-year growth of the sales volume of R22 was limited and the external sales volume recorded during the period under review remained flat compared to the same period last year. However, as the Group's internal demand for R22 for the production of downstream fluoropolymers remained strong (this is out of the quota control), the Group was able to record growth in the overall sales volume of R22. In addition, the substantial rebound in the selling price of Trichloromethane has led to increase in the selling price of the Group's R22 product year-on-year, resulting in the substantial increase in the sales revenue of R22 achieved during the period.

Management Discussion and Analysis

With the gradual recovery in the PRC's property market, the green home appliance products end-market and other relevant industries have all boosted the domestic demand for R410a. As a result, the Group experienced considerable increase in the sales volume of R410a. However, as a result of the increasing supply of R410a in the market, the selling price of R410a experienced decline and the Group merely recorded a moderate increase in the sales revenue of this category. Notwithstanding this, the successive growth in the sales volumes of such green refrigerants as R410a over the last few years indicates that green refrigerants would gradually substitute R22 as the most widespread refrigerant in the PRC.

The irrational massive expansion in the capacity of R134a and the anti-dumping measures imposed by United States on imports of R134a from the PRC continued to adversely affect the domestic market and the general weakness in the domestic and foreign automobile markets had intensified the price competition, which made the Group see the substantial drop in both the sales volume and price of R134a. Such depressing supply situation applied to R32 and R125 markets as well, with the result that the Group recorded decrease in the selling prices of R32 and R125 and in the sales volume for R125.

The Group's acquisition of Huaxia Shenzhou enabled the Group to secure a stable and reliable source of demand for the Group's R142b product, and the strong downstream fluoropolymer fine chemicals markets and the expansion in production capacities of VDF and PVDF by Huaxia Shenzhou also led to the significant year-on-year increase in the sales volume and sales revenue of R142b achieved during the period.

The results of the Refrigerants segment contributed 49.42% (corresponding period of 2013: 6.98%) of the total segment results of the Group, while its segment results margin was 12.26%, compared with 1.70% of the corresponding period last year.

Dichloromethane, PVC and Liquid Alkali

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

During the period, accounting for approximately 16.84% (excluding inter-segment sale) of the Group's consolidated revenue, the revenue for this segment increased by 39.19% to RMB633,598,000 from RMB455,219,000 of the corresponding period last year.

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

During the period under review, the sales volumes of PVC, liquid alkali and dichloromethane products considerably increased as compared to the same period last year. While the selling prices of PVC and liquid alkali products recorded year-on-year decline, the year-on-year selling prices of dichloromethane experienced a remarkable rebound as a result of the recovery in the domestic methane chloride market, which principally led to a significant rise in the sales revenue of this segment. Coupled with the stable per unit production cost of dichloromethane products, this segment was able to record segment profit of RMB13,234,000, compared with segment loss of RMB36,221,000 in respect of the six months period ended 30 June 2013.

Property Development – Dongyue International Project (the “Project”)

The Project comprises, among others, residential portion of two parcels of land which are adjacent to each other. They are located at the west of Liuquan North Road, the north of Huantai Avenue and the south of Gongyuan Road, Huantai County, Zibo City, Shandong Province, the PRC with a total site area of 189,381 square metres. The residential portion is 157,187 square metres, upon which the Group planned to construct 23 residential blocks with a total planned gross floor areas of approximately 296,000 square metres. The Project comprises five phases which are planned to be completed by the end of 2017. Up to the end of June 2014, the Group, owning 100% interest in the Project, had been constructing the first three phases with planned gross floor area of approximately 181,000 square metres.

The Group commenced pre-sale of the phase 1 starting from the financial year 2013, phase 2 from January 2014 and phase 3 from June 2014. The Project received overwhelming response and a total of approximately 127,900 square metres have been sold out at an average selling prices of approximately RMB6,410 per square metre. However, as the three phases are in the course of construction and the sales transactions were not completed up to the date of this interim report, no revenue from the pre-sales has been recognized in the consolidated statement of profit or loss and other comprehensive income.

Others

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

During the period, in the wake of continuing weakness of the CER market, the market price of CER units fell to an unreasonably low level and consequently, the Group has temporarily ceased the production and sales of CER units and utilized the prevailing facilities for its Refrigerants segment and thus, no CER revenue (six months ended 30 June 2013: RMB48,554,000) and no CER profits (six months ended 30 June 2013: RMB49,047,000) was recorded by the Group during the period.

During the period, accounting for approximately 2.77% (excluding inter-segment sale) of the Group's consolidated revenue, the revenue for this segment decreased by 0.03% to RMB326,363,000 from RMB326,463,000 of the corresponding period last year, and this segment's results decreased to RMB12,426,000 from RMB57,939,000 of the corresponding period last year.

The Group has been carrying out the necessary exploration works in respect of the nickel mine and the iron and fluorspar mine of the Group and would engage in the actual extraction and production once the relevant extraction licenses are obtained from the relevant government bureau, which enables the Group to secure source of raw materials for its operating segments and to align with the Group's strategy of vertical integration into the fluorochemical value chain.

During the period, the Group has subscribed for 1 billion shares in China Minsheng Investment Company Limited (“CMIC”) for an aggregate amount of RMB1 billion (the “Subscription”), which had been accounted for as available-for-sale investments. The Group considered that the Subscription will provide the Group (indirectly through CMIC) with potential investment and acquisition opportunities in industries and enterprises with growth potentials, which, together with its other equity investments, allows the Group to capitalize on the financial leverage for the purpose of diversifying its business risks, while maintaining the focus of its business and strengths in its core fluorochemical business.

Management Discussion and Analysis

Distribution and Selling Expenses

During the period, the distribution and selling expenses merely increased by 2.14% to RMB120,906,000 from RMB118,368,000 of the corresponding period last year. As a result of stringent cost control measures imposed by the Group, the amount of distribution and selling expenses were steadily maintained, notwithstanding the increase in the overall sales volumes of the Group during the period.

Administrative Expenses

During the period, the administrative expenses decreased by 9.23% to RMB135,384,000 from RMB149,143,000 of the corresponding period last year, which was mainly attributable to the decrease in the expenses on the share options granted to the employees and the Directors.

Finance Costs

During the period, the finance costs significantly increased by 31.34% to RMB83,372,000 from RMB63,477,000 of the corresponding period last year, which was mainly attributable to the substantial increase in the amount of the borrowings of the Group during the period.

Capital Expenditure

For the six months ended 30 June 2014, the Group's aggregate capital expenditure was approximately RMB319,760,000 (six months ended 30 June 2013: RMB891,691,000). The Group's capital expenditure mainly for the acquisition of fixed assets including the equipment and facilities for the Group's expansion projects in (1) the 5,000 tonnes per annum of PVDF and, (2) the 5,000 tonnes per annum of VDF, and for the Group's various technological revamp, energy saving and emission reduction projects.

Liquidity and Financial Resources

The Group's financial position is sound with healthy working capital management and strong operating cash flow. As at 30 June 2014, the Group's total equity amounted to RMB5,583,042,000, representing an increase of 1.31% compared with 31 December 2013. As at 30 June 2014, the Group's bank balances and cash totaled RMB1,138,981,000 (31 December 2013: RMB1,243,296,000). During the period under review, the Group generated a total of RMB1,099,751,000 (six months ended 30 June 2013: RMB550,059,000) cash inflow from its operating activities. The current ratio⁽¹⁾ of the Group as at 30 June 2014 was 1.11 (31 December 2013: 1.46).

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

Capital Structure

During the period, the Company repurchased and cancelled a total of 1,152,000 ordinary shares of the Company and the number of issued shares of the Company has decreased to 2,118,167,455 as at 30 June 2014.

As at 30 June 2014, the borrowings of the Group totaled RMB3,016,083,000 (31 December 2013: RMB2,152,564,000). The gearing ratio⁽²⁾ of the Group was 25.16% (31 December 2013: 14.16%).

Group Structure

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

Notes:

(1) $\text{Current Ratio} = \text{Current Assets} \div \text{Current Liabilities}$

(2) $\text{Gearing Ratio} = \text{Net Debt} \div \text{Total Capital}$

$\text{Net Debt} = \text{Total Borrowings} - \text{Bank Balances and Cash}$

$\text{Total Capital} = \text{Net Debt} + \text{Total Equity}$

Charge on Assets

As at 30 June 2014, the Group had certain property, plant and equipment and lease prepayments with an aggregate carrying value of approximately RMB449,804,000 (31 December 2013: RMB558,694,000), and bank deposits of RMB214,350,000 (31 December 2013: RMB106,320,000), which were pledged to secure the Group's borrowings and the bills payable of the Group.

Exposure to Fluctuations in Exchange Rates and Related Hedges

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

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

Employees

The Group employed 7,278 employees in total as at 30 June 2014 (31 December 2013: 6,797). The Group implemented its remuneration policy, bonus and share option schemes based on the performance of the Group and its employees. The Group provided benefits such as medical insurance and pensions to ensure competitiveness.

Interim Dividend

The Board of Directors (the "Board") did not declare the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

Other Information

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

During the period, the Company repurchased, on The Stock Exchange of Hong Kong Limited (the "HKSE"), a total of 1,152,000 ordinary shares of the Company (the "Buyback Shares") at a price range of HK\$2.64 to HK\$2.99 per share. The aggregate consideration for the Buyback Shares is approximately HK\$3,177,000, which was funded from internal resources of the Company. The Buyback Shares were validly cancelled on 17 January and 14 February 2014.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on the HKSE. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the six months ended 30 June 2014 and all Directors confirmed that they have fully complied with the relevant requirements set out in the Model Code during the period.

AUDIT COMMITTEE

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

The Audit Committee met with the management and external auditor on 13 August 2014, to review the accounting standards and practices adopted by the Group and to discuss matters regarding internal control and financial reporting including the review of the Group's interim results for the six months ended 30 June 2014, which have been reviewed by the Group's external auditor, before proposing them to the Board for approval. The Audit Committee has reviewed the results announcement and the interim report of the Company for the six months ended 30 June 2014.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The HKSE has promulgated the Hong Kong Code on Corporate Governance Practices (the "Code") which came into effect for listed issuers' first financial year commencing on or after 1 January 2005. Afterwards, the HKSE has made revision to the Code ("the Revised Code") which becomes effective from 1 January and 1 April 2012 and 1 September 2013.

Throughout the six months ended 30 June 2014, save as disclosed below, the Company has complied with the Code and the Revised Code as set out in Appendix 14 to the Listing Rules.

Code and Revised Code Provision A.2.1

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

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

SHARE OPTIONS

Share Option Scheme

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

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

As at 30 June 2014, particulars of the options granted to certain Directors and employees of the Group under the Scheme are set out below:

Name or Category of participant	Balance as at 1 January 2014	Number of options		Outstanding as at 30 June 2014	Exercise Price HK\$	Date of Grant	Exercisable from	Exercisable until
		Lapsed during the period	Exercised during the period					
Executive Directors:								
Mr. Zhang Jianhong								
Tranche 1	3,325,000	–	–	3,325,000	8.13	1 June 2011	1 June 2012	1 June 2016
Tranche 2	3,325,000	–	–	3,325,000	8.13	1 June 2011	1 June 2013	1 June 2016
Tranche 3	3,325,000	–	–	3,325,000	8.13	1 June 2011	1 June 2014	1 June 2016
Tranche 4	3,325,000	–	–	3,325,000	8.13	1 June 2011	1 June 2015	1 June 2016
Mr. Liu Chuanqi								
Tranche 1	3,375,000	–	–	3,375,000	8.13	1 June 2011	1 June 2012	1 June 2016
Tranche 2	3,375,000	–	–	3,375,000	8.13	1 June 2011	1 June 2013	1 June 2016
Tranche 3	3,375,000	–	–	3,375,000	8.13	1 June 2011	1 June 2014	1 June 2016
Tranche 4	3,375,000	–	–	3,375,000	8.13	1 June 2011	1 June 2015	1 June 2016
Mr. Cui Tongzheng								
Tranche 1	1,250,000	–	–	1,250,000	8.13	1 June 2011	1 June 2012	1 June 2016
Tranche 2	1,250,000	–	–	1,250,000	8.13	1 June 2011	1 June 2013	1 June 2016
Tranche 3	1,250,000	–	–	1,250,000	8.13	1 June 2011	1 June 2014	1 June 2016
Tranche 4	1,250,000	–	–	1,250,000	8.13	1 June 2011	1 June 2015	1 June 2016
Mr. Zhang Jian								
Tranche 1	50,000	–	–	50,000	8.13	1 June 2011	1 June 2012	1 June 2016
Tranche 2	50,000	–	–	50,000	8.13	1 June 2011	1 June 2013	1 June 2016
Tranche 3	50,000	–	–	50,000	8.13	1 June 2011	1 June 2014	1 June 2016
Tranche 4	50,000	–	–	50,000	8.13	1 June 2011	1 June 2015	1 June 2016
Employees:								
In aggregate								
Tranche 1	27,700,000	(100,000)	–	27,600,000	8.13	1 June 2011	1 June 2012	1 June 2016
Tranche 2	27,700,000	(100,000)	–	27,600,000	8.13	1 June 2011	1 June 2013	1 June 2016
Tranche 3	27,700,000	(100,000)	–	27,600,000	8.13	1 June 2011	1 June 2014	1 June 2016
Tranche 4	27,700,000	(100,000)	–	27,600,000	8.13	1 June 2011	1 June 2015	1 June 2016
	142,800,000	(400,000)	–	142,400,000				

Other Information

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

The related accounting policy for the fair value of the share options are set out in the 2013 Annual Report of the Company.

DIRECTORS

The Directors during the six months ended 30 June 2014 and up to date of this report were:

Executive Directors

Mr. Zhang Jianhong (*Chairman and Chief Executive Officer*)

Mr. Fu Kwan

Mr. Liu Chuanqi (*President*)

Mr. Cui Tongzheng (*Vice President and Chief Financial Officer*)

Dr. Wu Tao

Mr. Zhang Jian

Independent Non-Executive Directors

Mr. Ting Leung Huel, Stephen

Mr. Liu Yi

Mr. Yue Rundong

DIRECTOR'S RIGHTS TO ACQUIRE SHARES

Other than as disclosed in the section headed "Share Options" in this report, at no time during the six months ended 30 June 2014 was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors, their respective spouse or minor children to acquire benefit by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

DISCLOSURE OF INTERESTS

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

As at 30 June 2014, the interests or short positions of the Directors and the chief executive of the Company and their respective associates in the Shares, underlying Shares and debentures of the Company or its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the HKSE pursuant to the Model Code were as follows:

Name of Director	Nature of interest	Number of Shares or underlying Shares	% of issued share capital
Mr. Zhang Jianhong	Corporate interest ¹	166,551,273 (L)	7.86 (L)
	Beneficial interest	20,447,636 (L)	0.97 (L)
Mr. Fu Kwan	Corporate interest ²	609,646,818 (L)	28.78 (L)
Mr. Cui Tongzheng	Corporate interest ³	156,852,363 (L)	7.41 (L)
	Beneficial interest	10,162,180 (L)	0.48 (L)
Mr. Liu Chuanqi	Corporate interest ⁴	87,360,000 (L)	4.12 (L)
	Beneficial interest	19,853,454 (L)	0.94 (L)
Dr. Wu Tao	Beneficial interest	85,000 (L)	0.004 (L)
Mr. Zhang Jian	Beneficial interest	597,091 (L)	0.03 (L)

Notes:

- Pursuant to the SFO, as Mr. Zhang Jianhong holds 100% interest in Dongyue Team Limited, Mr. Zhang is deemed to be interested in the 166,551,273 Shares (L) held by Dongyue Team Limited.
- These Shares are directly held by Macro-Link International Investment Co. Ltd. ("Macrolink International") which in turn is wholly owned by Macro-Link Industrial Investment Limited ("Macrolink Industrial"). Macro-Link Holding Limited ("Macrolink Holding"), a company owned by Xi Zang Cheung Shek Investment Limited ("Xi Zang Cheung Shek") as to 75% and by Mr. Fu Kwan as to 10.63%, respectively, wholly owns Macrolink Industrial. In addition, Mr. Fu Kwan and Ms. Xiao Wenhui directly own Xi Zang Cheung Shek as to 53.35% and 33.33%, respectively.
- Pursuant to the SFO, as Mr. Cui Tongzheng holds 100% interest in Dongyue Initiator Limited, Mr. Cui is deemed to be interested in the 156,852,363 Shares (L) held by Dongyue Initiator Limited.
- These Shares are held by Dongyue Wealth Limited which is wholly owned by Mr. Liu Chuanqi. Mr. Liu is deemed to be interested in the 87,360,000 Shares (L) held by Dongyue Wealth Limited under the SFO.
- L: Long Position

Other Information

Save as disclosed above, as at 30 June 2014, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the HKSE pursuant to the Model Code.

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

As at 30 June 2014, so far as is known to the Directors and the chief executive of the Company, the following persons (other than the Directors or the chief executive of the Company) had an interest or a short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of interest	Number of Shares or underlying Shares	% of issued share capital
Macrolink International	Beneficial interest ¹	609,646,818 (L)	28.78 (L)
Macrolink Industrial	Corporate interest ¹	609,646,818 (L)	28.78 (L)
Macrolink Holding	Corporate interest ¹	609,646,818 (L)	28.78 (L)
Xi Zang Cheung Shek	Corporate interest ¹	609,646,818 (L)	28.78 (L)
Ms. Xiao Wenhui	Corporate interest ¹	609,646,818 (L)	28.78 (L)
Dongyue Team Limited	Beneficial interest ²	166,551,273 (L)	7.86 (L)
Dongyue Initiator Limited	Beneficial interest ³	156,852,363 (L)	7.41 (L)

Notes:

- These Shares are directly held by Macrolink International which in turn is wholly owned by Macrolink Industrial. Macrolink Holding, a company owned by Xi Zang Cheung Shek as to 75% and by Mr. Fu Kwan as to 10.63%, respectively, wholly owns Macrolink Industrial. In addition, Mr. Fu Kwan and Ms. Xiao Wenhui directly own Xi Zang Cheung Shek as to 53.35% and 33.33%, respectively.
- Pursuant to the SFO, as Mr. Zhang Jianhong holds 100% interest in Dongyue Team Limited, Mr. Zhang is deemed to be interested in the 166,551,273 Shares (L) held by Dongyue Team Limited.
- Pursuant to the SFO, as Mr. Cui Tongzheng holds 100% interest in Dongyue Initiator Limited, Mr. Cui is deemed to be interested in the 156,852,363 Shares (L) held by Dongyue Initiator Limited.
- L: Long Position

(c) Interests in other members of the Group as at 30 June 2014

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

Note:

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

Save as disclosed above, so far as is known to the Directors and the chief executive of the Company, as at 30 June 2014, no other person (other than the Directors or the chief executive of the Company) had any interest or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF DONGYUE GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Dongyue Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 42, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

13 August 2014

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

	NOTES	Six months ended	
		30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)
Revenue	3	3,511,830	3,195,844
Cost of sales		(2,998,358)	(2,684,017)
Gross profit		513,472	511,827
Other income	4	124,887	94,563
Distribution and selling expenses		(120,906)	(118,368)
Administrative expenses		(135,384)	(149,143)
Research and development expenses		(29,674)	(30,072)
Finance costs		(83,372)	(63,477)
Share of results of associates		–	168
Gain on disposal of an associate		36	–
Profit before tax		269,059	245,498
Income tax expense	5	(74,431)	(55,159)
Profit and total comprehensive income for the period	6	194,628	190,339
Profit and total comprehensive income (expense) for the period attributable to:			
Owners of the Company		191,607	211,711
Non-controlling interests		3,021	(21,372)
		194,628	190,339
Earnings per share	8		
Basic and diluted (RMB)		0.09	0.10

Condensed Consolidated Statement of Financial Position

At 30 June 2014

	NOTES	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	4,478,843	4,494,015
Prepayment for purchase of property, plant and equipment		123,894	54,556
Prepayment for land lease	10	1,144	367
Prepaid lease payments	10	552,039	562,117
Intangible assets		175,230	179,241
Interests in associates	11	1,539	17,038
Available-for-sale investments	12	1,195,283	195,283
Deferred tax assets		171,818	166,451
Goodwill		85,894	85,894
		6,785,684	5,754,962
Current assets			
Inventories		646,245	700,054
Properties under development for sale		627,078	569,488
Prepaid lease payments	10	16,782	15,272
Trade and other receivables	13	1,486,892	1,218,239
Entrusted loans	14	943,000	425,000
Pledged bank deposits		214,350	106,320
Bank balances and cash		1,138,981	1,243,296
		5,073,328	4,277,669
Current liabilities			
Trade and other payables	15	2,116,793	1,604,381
Deposits from pre-sale of properties		785,275	438,784
Borrowings	16	1,577,413	866,474
Tax liabilities		64,759	16,736
Deferred income		10,623	12,797
		4,554,863	2,939,172
Net current assets		518,465	1,338,497
Total assets less current liabilities		7,304,149	7,093,459

Condensed Consolidated Statement of Financial Position

At 30 June 2014

	NOTES	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Capital and reserves			
Share capital	17	200,922	201,013
Reserves		5,136,622	5,065,836
Equity attributable to the owners of the Company		5,337,544	5,266,849
Non-controlling interests		245,498	243,979
Total equity		5,583,042	5,510,828
Non-current liabilities			
Deferred income		243,450	246,377
Deferred tax liabilities		38,987	50,164
Borrowings	16	1,438,670	1,286,090
		1,721,107	1,582,631
		7,304,149	7,093,459

Zhang Jianhong
Director

Cui Tongzheng
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital	Share premium	Share option reserve	Merger reserve	Capital reserve	Statutory surplus reserve	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000 (Note a)	RMB'000 (Note b)	RMB'000 (Note c)	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2013 (audited)	201,111	1,238,838	270,825	(32,210)	101,098	627,139	2,541,514	4,948,315	278,543	5,226,858
Profit and total comprehensive income (expense) for the period	-	-	-	-	-	-	211,711	211,711	(21,372)	190,339
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(9,892)	(9,892)
Dividends paid (note 7)	-	-	-	-	-	-	(219,428)	(219,428)	-	(219,428)
Recognition of equity-settled shared-based payments	-	-	48,099	-	-	-	-	48,099	-	48,099
Shares repurchased	(74)	(2,117)	-	-	-	-	-	(2,191)	-	(2,191)
Balance at 30 June 2013 (unaudited)	201,037	1,236,721	318,924	(32,210)	101,098	627,139	2,533,797	4,986,506	247,279	5,233,785
Balance at 1 January 2014 (audited)	201,013	1,236,038	345,787	(32,210)	101,098	699,065	2,716,058	5,266,849	243,979	5,510,828
Profit and total comprehensive income for the period	-	-	-	-	-	-	191,607	191,607	3,021	194,628
Transfer	-	-	-	-	-	364	(364)	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(1,502)	(1,502)
Dividends paid (note 7)	-	-	-	-	-	-	(143,315)	(143,315)	-	(143,315)
Recognition of equity-settled shared-based payments	-	-	24,938	-	-	-	-	24,938	-	24,938
Shares repurchased and cancelled (note 17)	(91)	(2,444)	-	-	-	-	-	(2,535)	-	(2,535)
Balance at 30 June 2014 (unaudited)	200,922	1,233,594	370,725	(32,210)	101,098	699,429	2,763,986	5,337,544	245,498	5,583,042

Notes:

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

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

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

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

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	NOTES	Six months ended	
		30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)
Net cash from operating activities		1,099,751	550,059
Net cash used in investing activities:			
Interest received		103,088	49,579
Purchase of property, plant and equipment		(354,377)	(311,111)
Payment of prepaid land lease		(777)	(169,212)
Dividends received from associates		446	–
Dividends received from available-for-sale investments		2,535	5,302
Entrusted loans to third parties		(748,000)	(626,000)
Repayment of entrusted loans from third parties		230,000	325,000
Proceeds from disposal of an associate	11	15,089	–
Capital contribution to an associate		–	(15,000)
Purchase of available-for-sale investments	12	(1,000,000)	–
Acquisition of a subsidiary		–	(445,894)
Placement of pledged bank deposits		(245,850)	(77,212)
Proceeds from release of pledged bank deposits		137,820	65,700
Proceeds from disposals of property, plant and equipment		3,186	1,298
Purchase of intangible assets		(1,250)	(4,059)
Repayment from a non-controlling shareholder of a subsidiary		10,000	–
		(1,848,090)	(1,201,609)
Net cash from (used in) financing activities:			
Proceeds from borrowings		1,466,775	740,000
Repayments of borrowings		(603,256)	(641,975)
Interest paid		(72,143)	(63,344)
Shares repurchased and cancelled		(2,535)	(2,191)
Dividends paid		(143,315)	(219,428)
Dividends paid to non-controlling interests		(1,502)	(9,892)
		644,024	(196,830)
Net decrease in cash and cash equivalents		(104,315)	(848,380)
Cash and cash equivalents at 1 January		1,243,296	1,682,728
Cash and cash equivalents at 30 June, represented by:			
Bank balances and cash		1,138,981	834,348

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

1. Basis of preparation

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

2. Principal accounting policies

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

The accounting policies and the methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

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

Amendments to IFRS 10, IFRS 12 and IAS 27	<i>Investment Entities;</i>
Amendments to IAS 32	<i>Offsetting Financial Assets and Financial Liabilities;</i>
Amendments to IAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets;</i>
Amendments to IAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting; and</i>
IFRIC-Int 21	<i>Levies.</i>

The application of the above new Interpretation and amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

3. Segment information

The Group's reportable and operating segments are based on the different types of products and property development. Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance is also presented based on types of products and property development.

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

Six months ended 30 June 2014

	Refrigerants RMB'000	Polymers RMB'000	Organic silicone RMB'000	Dichloromethane, polyvinyl chloride and liquid alkali RMB'000	Property development RMB'000	Reportable and operating segments' total RMB'000	Other operations RMB'000	Eliminations RMB'000	Total RMB'000
External sales	946,669	1,138,797	737,716	591,373	-	3,414,555	97,275	-	3,511,830
Inter-segment sales	617,305	-	668	42,225	-	660,198	229,088	(889,286)	-
Total revenue-segment revenue	1,563,974	1,138,797	738,384	633,598	-	4,074,753	326,363	(889,286)	3,511,830
SEGMENT RESULTS	191,816	207,302	(27,323)	13,234	(9,345)	375,684	12,426	-	388,110
Unallocated corporate expenses									(38,250)
Unallocated other income									2,535
Finance costs									(83,372)
Gain on disposal of an associate									36
Profit before tax									269,059

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

3. Segment information (Continued)

Six months ended 30 June 2013

	Refrigerants RMB'000	Polymers RMB'000	Organic silicone RMB'000	Dichloromethane, polyvinyl chloride and liquid alkali RMB'000	Property development RMB'000	Reportable and operating segments' total RMB'000	Other operations RMB'000	Eliminations RMB'000	Total RMB'000
External sales	1,004,103	984,190	659,336	428,579	-	3,076,208	119,636	-	3,195,844
Inter-segment sales	468,957	-	2,816	26,640	-	498,413	206,827	(705,240)	-
Total revenue-segment revenue	1,473,060	984,190	662,152	455,219	-	3,574,621	326,463	(705,240)	3,195,844
SEGMENT RESULTS	25,091	295,890	23,250	(36,221)	(6,476)	301,534	57,939	-	359,473
Unallocated corporate expenses									(55,968)
Unallocated other income									5,302
Finance costs									(63,477)
Share of results of associates									168
Profit before tax									245,498

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

Inter-segment sales are charged at prevailing market rates.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

4. Other income

	Six months ended	
	30.6.2014	30.6.2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Government grants	10,041	8,330
Bank deposits interest income	9,668	5,595
Interest income on entrusted loans	93,420	43,984
Dividend income from available-for-sale investments	2,535	5,302
Others (Note)	9,223	31,352
	124,887	94,563

Note: For the six months ended 30 June 2013, included an amount of compensation received from an independent third party on Shandong Dongyue HFC – 23 Decomposition Project amounting to approximately RMB24,869,000 due to the independent third party's failure to fulfil its obligation as stated in the agreement in accordance with the contractual agreement entered into by the Group with the independent third party.

5. Income tax expense

	Six months ended	
	30.6.2014	30.6.2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current PRC Enterprise Income Tax	(74,866)	(81,844)
Deferred tax:		
– withholding tax for distributable profits of PRC subsidiaries (Note)	(5,926)	(6,351)
– others	6,361	33,036
	435	26,685
Total income tax expense	(74,431)	(55,159)

Note: According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui [2008] No. 1, dividend distributed out of the profits generated since 1 January 2008 held by the PRC entity shall be subject to Enterprise Income Tax pursuant to Articles 3 and 27 of the Income Tax Law concerning Foreign Investment Enterprises and Foreign Enterprises and Article 91 of the Details Rules for the Implementation of the Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises. As a result, deferred tax liability of RMB5,926,000 (six months ended 30 June 2013: RMB6,351,000) on the undistributed earnings of subsidiaries has been recognised in profit or loss for the period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

6. Profit for the period

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

	Six months ended	
	30.6.2014	30.6.2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cost of inventories recognised as expenses	2,986,109	2,675,401
Depreciation of property, plant and equipment	331,772	307,982
Release of prepaid lease payments	8,568	6,001
Amortisation of intangible assets (included in cost of sales)	5,261	3,546
(Gain) loss on disposal of property, plant and equipment	(26)	144
Net foreign exchange (gains) losses	(6,015)	6,535
Recognition (reversal) of impairment of trade receivables	3,781	(1,279)
Write-down of inventories (included in cost of sales)	6,988	5,070

7. Dividends

During the current interim period, a final dividend of HK\$0.085 per share in respect of the year ended 31 December 2013 (six months ended 30 June 2013: HK\$0.130 per share in respect of the year ended 31 December 2012) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to HK\$180,044,000, equivalent to RMB143,315,000 (six months ended 30 June 2013: HK\$275,672,000, equivalent to RMB219,428,000).

The directors determined not to declare interim dividend for the six months ended 30 June 2014 and 2013.

8. Earnings per share

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

	Six months ended	
	30.6.2014	30.6.2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings for the purposes of basic and diluted earnings per share	191,607	211,711

	Number of shares	
	Six months ended	
	30.6.2014	30.6.2013
	'000	'000
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	2,118,324	2,120,525

The computation of diluted earnings per share for the six months ended 30 June 2013 and 2014 does not assume the exercise of the Company's outstanding share options granted on 1 June 2011 because the corresponding exercise prices of these share options were higher than the average market price of the shares during the six months ended 30 June 2013 and 2014.

9. Movement in property, plant and equipment

During the period, the addition of property, plant and equipment is approximately RMB319,760,000 (six months ended 30 June 2013: RMB301,691,000) for the expansion of its operations relating to refrigerants, polymers and organic silicone.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

10. Prepaid lease payments and prepayment for land lease

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

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Analysed for reporting purposes as:		
Current portion	16,782	15,272
Non-current portion	552,039	562,117
	568,821	577,389

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

The Group has prepaid lease payments with the aggregate carrying amount of approximately RMB65,710,000 (31 December 2013: RMB66,794,000) to secure bank loans of the Group.

The Group is in the process of obtaining the land use right certificate for the medium-term leasehold land in respect of prepaid lease payments of RMB1,144,000 (31 December 2013: RMB367,000).

11. Interests in associates

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Cost of investment in associates unlisted in the PRC	1,470	16,470
Share of post-acquisition profit, net of dividends received	69	568
	1,539	17,038

Note: During the six months ended 30 June 2014, the Group disposed of its entire 33.33% equity interest in Zibo Qilu Equity Investment Co., Ltd. to an independent third party at a total consideration of RMB15,089,000 and recognized a gain of RMB36,000.

12. Available-for-sale investments

On 9 May 2014, the Group subscribed 1,000,000,000 shares in China Minsheng Investment Company Limited ("CMIC"), which represents 2% equity interest in CMIC, for a consideration of RMB1,000,000,000. CMIC is a company established in the PRC and is principally engaged in equity investments and asset management.

The Group's available-for-sale investments are unlisted equity investments in private entities and are stated at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

13. Trade and other receivables

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Trade receivables	1,325,325	1,054,504
Less: allowance for doubtful debts	(9,181)	(6,169)
	1,316,144	1,048,335
Prepayments for raw materials	58,152	85,304
Value added tax receivables	10,369	21,334
Prepaid taxes arising from pre-sale of properties	58,991	30,714
Advance to a non-controlling shareholder of a subsidiary	–	10,000
Deposits and other receivables	43,236	22,552
	1,486,892	1,218,239

Included in the trade receivables are bills receivable amounting to RMB877,852,000 (31 December 2013: RMB811,604,000).

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

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Within 90 days	1,080,883	955,840
91 – 180 days	221,775	86,345
181 – 365 days	13,486	6,150
	1,316,144	1,048,335

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

14. Entrusted loans

	30.6.2014	31.12.2013
	RMB'000	RMB'000
	(unaudited)	(audited)
Entrusted loans (Note)	943,000	425,000

The entrusted loans to several independent third parties are unsecured and bear fixed interest ranging from 10.2% to 15% (31 December 2013: 10.2% to 12%) per annum with maturity of one year.

15. Trade and other payables

	30.6.2014	31.12.2013
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade payables	1,414,708	941,408
Receipt in advance from customers	71,195	62,048
Payroll payable	211,730	224,847
Payable for property, plant and equipment	152,368	117,647
Other tax payables	14,470	12,203
Other deposits in relation to property development project	98,464	110,955
Other payables and accruals	153,858	135,273
	2,116,793	1,604,381

15. Trade and other payables (Continued)

Included in the trade payables are bills payables amounting to RMB793,100,000 (31 December 2013: RMB295,490,000). Bills payables were secured by the Group's pledged bank deposits.

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

	30.6.2014	31.12.2013
	RMB'000	RMB'000
	(unaudited)	(audited)
Within 30 days	570,567	686,530
31 – 90 days	638,023	174,941
91 – 180 days	167,410	52,744
181 – 365 days	18,688	12,929
1 – 2 years	13,199	8,254
More than 2 years	6,821	6,010
	1,414,708	941,408

16. Borrowings

During the period, the Group obtained new loans amounting to approximately RMB1,466,775,000 (six months ended 30 June 2013: RMB740,000,000). The loans carry interest at variable market rates promulgated by the People's Bank of China Benchmark Interest Rate.

As at 30 June 2014, secured bank borrowings of RMB36,028,000 (31 December 2013: RMB70,379,000) were secured by the Group's buildings and plant and equipment with the aggregate carrying amount of approximately RMB200,755,000 (31 December 2013: RMB297,422,000) and prepaid lease payments with the aggregate carrying amount of approximately RMB2,283,000 (31 December 2013: RMB2,307,000). The secured bank borrowings carry interest at 5.84% to 7.20% (31 December 2013: 6.00% to 7.20%) per annum.

As at 30 June 2014, secured other loan made by a financial institution represents borrowing of US\$14,062,000, equivalent to RMB86,521,000 (31 December 2013: US\$16,875,000, equivalent to RMB102,885,000), which was secured by the Group's plant and equipment with the aggregate carrying amount of approximately RMB183,339,000 (31 December 2013: RMB194,478,000) and prepaid lease payments with carrying amount of approximately RMB63,427,000 (31 December 2013: RMB64,487,000). The loan carries interest at London Interbank Offer Rate ("LIBOR") plus 3% (31 December 2013: LIBOR plus 3%) per annum.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

17. Share capital

	Number of shares '000	Share capital RMB'000
Ordinary shares of HK\$0.1 each		
Authorised:		
As at 1 January 2013, 30 June 2013, 1 January 2014 and 30 June 2014	4,000,000	382,200
Issued and fully paid:		
As at 1 January 2013	2,120,552	201,111
Shares repurchased	(933)	(74)
As at 30 June 2013	2,119,619	201,037
As at 1 January 2014	2,119,319	201,013
Shares repurchased and cancelled (Note)	(1,152)	(91)
As at 30 June 2014	2,118,167	200,922

Note: During the six months ended 30 June 2014, the Company repurchased certain of its own shares through The Stock Exchange of Hong Kong Limited. The aggregate price paid for the repurchases amounted to HK\$3,177,000, equivalent to RMB2,535,000. None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during this period.

18. Share-based payments

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

18. Share-based payments (Continued)

Details of specific categories of options are as follows:

Share Option Scheme:

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

The following table discloses the movement of the share options during the six months ended 30 June 2014:

Option type	Outstanding at	Granted	Exercised	Forfeited	Outstanding at
	31.12.2013				30.06.2014
	'000	'000	'000	'000	'000
Option A	8,500	–	–	–	8,500
Option B	8,500	–	–	–	8,500
Option C	8,500	–	–	–	8,500
Option D	8,500	–	–	–	8,500
Option E	27,200	–	–	(100)	27,100
Option F	27,200	–	–	(100)	27,100
Option G	27,200	–	–	(100)	27,100
Option H	27,200	–	–	(100)	27,100
	142,800	–	–	(400)	142,400

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

18. Share-based payments (Continued)

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

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

The Group recognised the expenses of approximately RMB24,938,000 for the six months ended 30 June 2014 (six months ended 30 June 2013: RMB48,099,000) in relation to share options granted by the Company.

19. Commitments

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

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Capital commitments:		
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	13,467	296,242
Capital expenditure in respect of acquisition of the assessment of the exploration projects contracted for but not provided in the condensed consolidated financial statements	3,994	4,248
Capital expenditure in respect of capital contribution of interest in an associate contracted for but not provided in the condensed consolidated financial statements	–	5,000
Other commitment:		
Construction commitment contracted in respect of properties under development for sale contracted for but not provided in the condensed consolidated financial statements	172,927	81,004
	190,388	386,494

20. Lease commitments

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

	30.6.2014	31.12.2013
	RMB'000	RMB'000
	(unaudited)	(audited)
Within one year	6,676	6,843
In the second to fifth years inclusive	26,370	26,370
Over five years	67,546	71,365
	100,592	104,578

21. Related party transactions

Other than set out in the consolidated financial statements, the Group entered into the following related party transactions during the year:

(a) Purchase of raw materials

	Six months ended	
	30.6.2014	30.6.2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Non-controlling interests	1,951	1,741

(b) Compensation of key management personnel

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

	Six months ended	
	30.6.2014	30.6.2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term employee benefits	12,806	1,377
Post-employment benefits	37	10
Share-based payments	8,196	15,841
	21,039	17,228

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

22. Seasonality

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

23. Fair value measurements of financial instruments

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

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