



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

2022
INTERIM REPORT
中期報告





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Corporate Information

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Dongyue International Fluoro
Silicone Material Industry Park
Zibo City
Shandong Province
the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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WEBSITE ADDRESS

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DIRECTORS

Executive Directors

Mr. ZHANG Jianhong (*Chairman and Chief Executive Officer*)
Mr. FU Kwan
Mr. WANG Weidong
Mr. ZHANG Zhefeng (*Vice President and Chief Financial Officer*)
Mr. ZHANG Jian
Mr. ZHANG Bishu (*passed away on 21 June 2022*)

Independent Non-Executive Directors

Mr. TING Leung Huel, Stephen
Mr. YANG Xiaoyong
Mr. MA Zhizhong

COMPANY SECRETARY

Ms. CHUNG Tak Lai

AUTHORIZED REPRESENTATIVES

Mr. FU Kwan
Ms. CHUNG Tak Lai

AUDIT COMMITTEE

Mr. TING Leung Huel, Stephen (*Chairman*)
Mr. YANG Xiaoyong
Mr. MA Zhizhong

REMUNERATION COMMITTEE

Mr. YANG Xiaoyong (*Chairman*)
Mr. TING Leung Huel, Stephen
Mr. ZHANG Jianhong

NOMINATION COMMITTEE

Mr. ZHANG Jianhong (*Chairman*)
Mr. TING Leung Huel, Stephen
Mr. YANG Xiaoyong

CORPORATE GOVERNANCE COMMITTEE

Mr. ZHANG Jianhong (*Chairman*)
Mr. ZHANG Bishu (*passed away on 21 June 2022*)
Mr. WANG Weidong

RISK MANAGEMENT COMMITTEE

Mr. TING Leung Huel, Stephen (*Chairman*)
Mr. YANG Xiaoyong
Mr. MA Zhizhong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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PRINCIPAL BANKERS

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INVESTOR RELATIONS CONSULTANT

Investor Connect Advisory Ltd

AUDITOR

Elite Partners CPA Limited
Certified Public Accountants

EXTERNAL LEGAL ADVISOR

Norton Rose Fulbright Hong Kong

STOCK CODE

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Management Discussion and Analysis

Results Review

In the first half of 2022, both domestic and international environments recorded significant changes, such as the resurgence of the pandemic in China, international politics and economic turmoil that beclouded the overall market with rising uncertainties. During the period under review, the fluorosilicon industry continued the positive momentum from the second half of last year. Although the uncertain macroeconomic factors have cooled down the popularity of some products, most of their prices still maintained at high levels. On the back of advanced technologies, stable operations, correct strategy, as well as the hard work of all employees, the Group overcame many difficulties in this uncertain environment and recorded the best interim results in the Group's history, which is the best gift for the 35th anniversary of the Group.

1. Significant year-on-year increase in results

During the period under review, the Group maintained the operating momentum from the second half of last year through various advantages in technology, safeness, environmental protection and production chain support. Despite the volatile macro environment, the Group still managed to seize the market opportunity and achieved significant year-on-year growth. During the period, the revenue of the Group amounted to approximately RMB10,113,288,000, representing a year-on-year increase of 56.29%; gross profit margin amounted to 36.86%, representing a year-on-year increase of 10.65 percentage points; net profit amounted to approximately RMB1,967,640,000, representing a year-on-year increase of 147.57%; net profit attributable to the owners of the Company amounted to approximately RMB1,692,775,000, representing a year-on-year increase of 180.62%. These were the strongest set of interim results in the Group's 35 years of history.

2. Accelerating project construction according to market demand

With rapid development in high-tech industry such as high frequency communication, new energy, semiconductor and high-end equipment, the market has a looming demand for high-end fluorine and silicon materials produced by the Group. The Group has expanded accordingly and put more emphasis on the technology research and development for the related products. During the period under review, the Group has completed 30 project constructions, with numbers of existing projects in progress, including the expansion and construction of PVDF products that are widely discussed in the market. In recent years, the new energy industry, such as lithium battery and photovoltaic, has undergone rapid development. Since the Group's PVDF products are the essential materials for this industry, market demand of PVDF rose accordingly. The Group has become an important supplier of the domestic lithium battery grade PVDF.

3. Further increasing research and development (“R&D”) effort

The Group has always believed that the Group’s technical advantages in the industry is one of the most important factors to achieve remarkable financial results. The management has always put on great importance to technology research and development. The results after a long period of technology research and development have enabled the Group to end the advanced technological monopoly, controlled by the international enterprises, against many of the Group’s products. The Group has now become an important supplier of various high-end materials in China. During the period under review, the R&D expenses amounted to approximately RMB616,590,000, representing an increase of 103.66%, as compared with that of approximately RMB302,758,000 of the same period in 2021. During the period, the Group had a total of 267 R&D projects, of which 116 new projects, 59 completed projects, 85 new products have been launched, and the proportion of revenue generated from the new products further increased. The Group submitted 23 patent applications and was granted approval on 42 patents, for a total of 501 valid patents. Currently, the Group had a total of 597 researchers, and 244 of which held a master’s degree or above.

4. Overcoming the impact of the epidemic and making every effort to ensure stable production

The recurrent COVID-19 outbreak in China in the first half of the year adversely affected procurement, production, sales and transportation. The Group carried out preliminary plans, strict control implementation and multi-lateral coordinations. All employees have overcome the difficulties and challenges, which helped ensure stable production of the Group during the period of pandemic. Through implementing the digitalization on safety and environmental protection management, the Group’s professional management level in such area has much improved, which helped ensure an overall stability on operations, and provided solid support to the significant growth in the first half financial results.

Prospect

1. Increase efforts to promote technological research innovation results

As an innovative high-tech enterprise, R&D development has always been the Group’s top priority. The Group has formulated strategic development plans on high-end chemicals to help provide a solid foundation for high quality production and sustainability. In the second half of the year, the Group will accelerate the selection, implementation and launch of each R&D project. In return, positive market response will serve as a good reward to the Group’s R&D investment. Furthermore, the Group will also implement independent operations on technology research and development institutions to help realise R&D independence, as well as the commercialised operating efficacy. All these developments would help the Group target better on the high-end segments, explore new paths and create next generation’s products.

2. Accelerating progress of major projects

In view of the current market changes, the Group will further accelerate the construction of the major projects, which would help the Group to preemptively gain a favorable market position, and create a healthy foundation for future development. The Group expects the new 10,000 tons/year PVDF project to complete and commence operation in October. Together with the technological improvement of the Group's existing production capacity, the Group expects the production capacity of the PVDF product to increase to 25,000 tons/year by the end of the year. Currently, the Group has accelerated the application of the project construction on the remaining 30,000 tons/year out of the total production capacity of 55,000 tons/year. With the rapid expansion of PVDF production capacity in the market, it is expected that the price of this product will gradually fall back to the normal range. The Group will gain sustainable competitive advantage by expanding production capacity, improving quality, increasing R&D, and reducing costs.

3. Constructing a green industry chain and low carbon industrial park

Going green and low carbon emission set the key tone for the current direction of the development in the PRC. Under this environment, the Group aims to construct a green production chain and low carbon industrial park. The Group encourages the application of advanced energy-saving and carbon reduction technology and equipment in the park to reduce energy consumption, and meanwhile raise the comprehensive utilization rate of the by-products.

4. Enhancing internal control standard

Excellent enterprise should stay alert of the potential risks and carry out corresponding measures, hence internal control management is essential. The management of the Group puts on great importance to internal control management, thereby improving a large number of system regulations in recent years to comprehensively reduce operational risks. In the second half of the year, based on the improving systems, the Group will further regulate system implementation, strengthen and implement more stringent internal audits, as well as integrating audit supervision and daily work to ensure smooth completion on all work, with high efficiency and in compliance. Furthermore, in the first half of the year, the digitalised system of the Group has improved significantly, while the safeness, environmental protection and compliance standardised programme have also been formulated. In the second half of the year, the Group will use the digitalised system to connect all business functions, with the expectation to achieve comprehensive and standardised operations, strengthen internal control and reduce potential risks.

5. Further reducing financial expenses

Due to its excellent performance in recent years, the Group has good cash flow. The Group expects to further reduce the cost of interest-bearing liabilities in the second half of the year, and while ensuring the safety of funds, increase the interest income from deposits and improve the quality of operations. The Group will strive to achieve a historic net interest income during the year to help the growth of corporate operating results.

This year marks the 35th anniversary of Dongyue. In the past 35 years, Dongyue has experienced setbacks but has also created many good achievements. We always stay firm to our philosophy and are committed to the development of the fluorosilicon industry. Despite a complicated business environment in the future, the Group will still overcome all difficulties with firm belief that through advanced technology, comprehensive production chain, professional management, correct decision, as well as the hard work of all Dongyue people, we will continue to strive for strong financial results to reward our investors for their long-term trust and support.

Financial review

Results Highlights

For the six months ended 30 June 2022, the Group recorded revenue of approximately RMB10,113,288,000, representing an increase of 56.29% over RMB6,470,878,000 of the corresponding period last year. The gross profit margin increased to 36.86% (corresponding period of 2021: 26.21%) and the consolidated segment results margin* was 24.09% (corresponding period of 2021: 16.39%). The operating results margin** was 23.56% (corresponding period of 2021: 16.13%). During the period under review, the Group recorded profit before taxation of approximately RMB2,381,058,000 (corresponding period of 2021: RMB997,895,000), and net profit of approximately RMB1,967,640,000 (corresponding period of 2021: RMB794,790,000), while the total comprehensive income for the period was approximately RMB1,950,435,000 (corresponding period of 2021: RMB705,868,000). The unaudited consolidated results of the Group have been reviewed by the Audit Committee and the external auditor of the Company.

* Consolidated Segment Results Margin = Consolidated Segment Results ÷ Revenue × 100%

** Operating Results Margin = (Profit before Tax + Finance Costs - Share of Results of Associates) ÷ 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 2022 and the six months ended 30 June 2021:

Reportable and Operating Segments	For the six months ended 30 June 2022			For the six months ended 30 June 2021		
	Revenue RMB'000	Results RMB'000	Segment Results Margin	Revenue RMB'000	Results RMB'000	Segment Results Margin
Fluoropolymer	3,318,963	1,148,539	34.61%	1,942,387	412,574	21.24%
Organic silicone	3,451,972	636,691	18.44%	1,610,491	417,732	25.94%
Refrigerants	2,087,848	353,822	16.95%	1,223,303	118,472	9.68%
Dichloromethane, PVC and Liquid Alkali	764,785	213,517	27.92%	749,218	9,332	1.25%
Property development	250,276	4,750	1.90%	743,382	31,429	4.23%
Others	239,444	78,472	32.77%	202,097	71,256	35.20%
Total	10,113,288	2,435,791	24.09%	6,470,878	1,060,795	16.39%

Analysis of Revenue and Operating Results

During the period under review, despite the market impact of the pandemic, domestic and international political and economic situation, the prosperity of the fluorosilicon industry remained relatively high, with most products growing at different rates as compared with the same period of the previous year. Among those products, the prices of important products such as R142b and PVDF remained at their historical high and their performance was outstanding, which was an important factor to enhance the Group's overall performance.

Fluoropolymer

During the period under review, the external sales of Fluoropolymer segment were approximately RMB3,318,963,000, representing a year-on-year increase of 70.87% (the first half of 2021: RMB1,942,387,000), accounting for 32.82% (the first half of 2021: 30.02%) of the Group's total external sales. The results of the segment recorded a profit of RMB1,148,539,000, representing an increase of 178.38% as compared with RMB412,574,000 in the same period of the previous year.

During the period under review, the segment results of fluoropolymers significantly increased due to the rise in year-on-year demand for PVDF resulting from the emergence of the domestic lithium battery industry since last year. The related product price also significantly increased as compared with the same period of last year. The market of such product continued the momentum from the second half of last year with some shortages. Therefore, the Group has plans to expand the production capacity of such product during the year and in the future, with an overall estimate to reach total production capacity of 55,000 tons/year by 2025.

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, 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 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, automotive, machinery and petro-chemistry due to its superior mechanical property, excellent oil, chemical and heat resistance), PVDF (fluorocarbon made through aggregation of VDF produced with R142b, mainly used as a lithium battery cathode binder, photovoltaic backplane membrane and anti-corrosion coating) and VDF. The Group leads the domestic production capacity in this segment. PTFE, HFP, FEP, FKM and PVDF have a total capacity of 55,000 tons/year, 10,000 tons/year, 10,000 tons/year, 3,000 tons/year, and 12,000 tons/year, respectively.

Organic Silicone

During the year, the organic silicone segment's external sales increased by 114.34% to RMB3,451,972,000 from RMB1,610,491,000 in the previous year, accounting for 34.13% (the first half of 2021: 24.89%) of the Group's total external sales. The results of the segment recorded a profit of RMB636,691,000, representing an increase of 52.42% from a profit of RMB417,732,000 in the previous year.

During the period under review, certain listed fundraising and investment projects of Shandong Dongyue Organosilicon Materials Co. Ltd has put into operation, resulting in the significant increase in production capacity of the segment, thus the revenue of external sales and results of the segment also increased significantly.

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. The business segment of the Group has an aggregate monomer production capacity of 300,000 tons/year. Dongyue Organosilicone, the producer of the business segment, was successfully listed on Shenzhen Stock Exchange (SZSE) ChiNext Market on 12 March 2020, and the funds raised will be used in the 300,000 tons/year monomer and 200,000 tons/year downstream deep-processing expansion projects. Upon reaching its target output, the segment will have a monomer production capacity of 600,000 tons/year.

Refrigerants

During the period under review, the refrigerants segment's external sales increased by 70.67% to RMB2,087,848,000 from RMB1,223,303,000 in the previous year, accounting for 20.64% (the first half of 2021: 18.90%) of the Group's total external sales. The results of the segment recorded a profit of RMB353,822,000, representing a year-on-year increase of 198.65% from a profit of RMB118,472,000 in the first half of 2021.

Among all products in the refrigerants segment, the good performance of the R142b products was the main contributor to the year-on-year growth on the segment results. The R142b products can be used as a raw material for the PVDF products. Due to the demand surge on PVDF, which also led to strong demand on R142b, resulting in a significant year-on-year increase in product price. In addition, the price of the R22 products were relatively stable due to the impact of limited quota. However, the price of the major products replacing R22 such as R32 and R410a decreased to a certain extent as compared with the same period in previous year, mainly due to the low demand of the downstream market resulting from the pandemic and both the domestic and international political and economic factors.

The Group has the largest production capacity of R22 in the world, with an aggregate production capacity of 220,000 tons/year. 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, the Group's R125 and R32 each has a production capacity of 60,000 tons/year. 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, as well as in the production of R142b. The Group's R142b has an aggregate production capacity of 33,000 tons/year. Apart from the fact that R142b can be used as refrigerant, temperature controller medium, and intermediates of aviation propellant, it can also be the main raw material for the production of PVDF. The Group still has expansion plans for R142b, which have currently been put on agenda.

Dichloromethane, PVC and Liquid Alkali

During the year under review, the segment's external sales increased by 2.08% to RMB764,785,000 from RMB749,218,000 in the previous year, accounting for 7.56% (the first half of 2021: 11.58%) of the Group's total external sales. The results of the segment recorded a profit of RMB213,517,000, representing a year-on-year increase of 2,188.01% (the first half of 2021: profit of RMB9,332,000).

The products of this segment are chemical commodities, and their product prices fluctuate with market conditions. During the year under review, market demand of the products in this segment was high, which pushed up product prices significantly, and therefore profitability recorded a greater year-on-year increase.

Management Discussion and Analysis

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

During the year under review, this segment has three property projects for sale, which are located in Huantai County, Zibo City, Shandong Province, Yucheng City, Shandong Province, and Zhangjiajie City, Hunan Province, respectively. The segment's external sales during the period were RMB250,276,000, representing an decrease of 66.33% as compared to the same period in 2021 (RMB743,382,000), accounting for 2.47% of the Group's total external sales. The segment results were RMB4,750,000, representing a decrease of 84.89% as compared with the first half of 2021 (RMB31,429,000). Currently, there are a few property projects remained in this segment and no new projects are developed.

Others

During the period under review, the external sales of the segment were RMB239,444,000, representing an increase of 18.48% as compared with RMB202,097,000 in the previous year. The results of the segment recorded a profit of RMB78,472,000 (the first half of 2021: RMB71,256,000), representing a year-on-year increase of 10.13%.

This segment includes 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 period, the distribution and selling expenses increased by 14.09% to RMB218,250,000 from RMB191,295,000 of the corresponding period last year, which is attributable to the increase in the sales transportation fees during the period.

Administrative and Other Expenses

During the period, the administrative expenses increased by 129.72% to RMB568,190,000 from RMB247,337,000 of the corresponding period last year, which was mainly attributable to (i) an increase in total remuneration during the period; and (ii) an increase in the impairment loss of assets of the Company.

Finance Costs

During the period, the finance costs decreased by 67.48% to RMB17,159,000 from RMB52,759,000 of the corresponding period last year, which was mainly attributable to the decrease in borrowings of the Group as compared to the corresponding period last year.

Capital Expenditure

For the six months ended 30 June 2022, the Group's aggregate capital expenditure was approximately RMB1,616,112,000 (six months ended 30 June 2021: RMB1,128,374,000). The Group's capital expenditure were mainly for the construction of right-of-use assets (land use rights), factories, equipment, and production line for the new projects of the Group.

Liquidity and Financial Resources

The Group's financial position is sound with healthy working capital management and sufficient operating cash flow. As at 30 June 2022, the Group's total equity amounted to RMB16,662,063,000 representing an increase of 6.54% compared with 31 December 2021. As at 30 June 2022, the Group's bank balances and cash totaled RMB5,671,472,000 (31 December 2021: RMB5,102,552,000). During the period under review, the Group generated a total of RMB2,545,245,000 (six months ended 30 June 2021: RMB1,209,438,000) net cash inflow from its operating activities. The current ratio⁽¹⁾ of the Group as at 30 June 2022 was 1.94 (31 December 2021: 2.11).

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

Capital Structure

During the period, other than (1) the Company repurchased and cancelled a total of 1,501,000 ordinary shares of the Company, and (2) as disclosed in the section headed "Employee Option Scheme" in this report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities. The number of issued shares of the Company is 2,253,689,455 as at 30 June 2022.

As at 30 June 2022, the borrowings of the Group totaled RMB670,600,000 (31 December 2021: RMB624,100,000). The gearing ratio⁽²⁾ of the Group was -42.88% (31 December 2021: -40.13%). The negative gearing ratio as at 30 June 2022 represents the Group is "net cash" positive (i.e. has more cash and cash equivalents than its debt).

Notes:

(1) Current Ratio = Current Assets ÷ Current Liabilities

(2) Gearing Ratio = Net Debt ÷ Total Capital

Net Debt = Total Borrowings – Bank Balances and Cash

Total Capital = Net Debt + Total Equity

Group Structure

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

Charge on Assets

As at 30 June 2022, the Group has certain property, plant and equipment and right-of-use assets/lease prepayments with the aggregate carrying amount of approximately RMB58,175,000 (31 December 2021: RMB61,037,000) pledged to the Group's borrowing; bank deposits of RMB276,166,000 (31 December 2021: RMB124,145,000), which were pledged for bills payable, letters of credit and restricted funds for pre-sale properties.

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.

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

Employees

The Group employed 6,843 employees in total as at 30 June 2022 (31 December 2021: 6,824). The Group implemented its remuneration policy and bonus based on the performance of the Group and its employees. The Group provided benefits such as medical insurance, employee option scheme and pensions to maintain 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 2022 (six months ended 30 June 2021: Nil).

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 1,501,000 ordinary shares of the Company (the "Buyback Shares") at a price range of HK\$10.58 to HK\$11.10 per shares with aggregate consideration of HK\$16,403,120, which was funded from internal resources of the Company. The Company had repurchased the shares on the HKSE during the period ended 30 June 2022 with details as follows:

Month of Purchase	Number of Shares Bought Back	Price per Share		Total Consideration Paid HK\$
		Highest Price Paid HK\$	Lowest Price Paid HK\$	
		January 2022	1,501,000	

The Buyback Shares were validly cancelled on 25 February 2022. The Directors performed the share repurchase in accordance with the share repurchase mandate granted by its shareholders at the annual general meetings and in the best interests of the Company and its shareholders as a whole. The share repurchases were carried out having considered the market conditions and financial arrangements, the Directors believe that the share repurchase would enhance the value of the Company and its shareholders in the long term.

Other than as disclosed above and under the section headed "Employee Option Scheme", 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 2022.

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 2022 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. Yang Xiaoyong, and Mr. Ma Zhizhong, all being independent non-executive Directors.

The Audit Committee, the management of the Company and external auditors had on 16 August 2022 reviewed the accounting standards and practices adopted by the Group and discussed matters regarding internal control and financial reporting including the review of the Group's interim results for the six months ended 30 June 2022, which have been reviewed by the Group's external auditors, before proposing them to the Board for approval.

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. 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. Ting Leung Huel, Stephen and Mr. Yang Xiaoyong 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 Wang Weidong and Mr. Zhang Bishu (passed away on 21 June 2022) were appointed as the members of the Corporate Governance Committee.

Risk Management Committee

The Risk Management Committee was established by the Board with written term of reference with effect from 13 August 2015 to be responsible for the risk management of the Company and other related matters. Mr. Ting Leung Huel, Stephen was appointed as the chairman of the Risk Management Committee, Mr. Yang Xiaoyong and Mr Ma Zhizhong were appointed as the members of the Risk Management Committee.

Risk Management and Internal Control

The Board of Directors is responsible for assessing and determining the nature and extent of the risks that the Group is willing to accept in reaching its strategic objectives and to ensure that the Group has established and maintained appropriate and effective risk management and internal control systems. The Board of Directors has supervised the management's design, implementation and monitoring of risk management and internal control systems. The Board confirmed that it is responsible for establishing risk management and internal control systems for the Group and will continue to monitor the system and ensure to review the effectiveness of the risk management and internal control systems of the Company and its principal subsidiaries at least once a year.

The Company has also appointed an independent consulting firm as its internal control adviser to conduct an internal review of the Group, and to provide recommendations to the Company.

The Company's Board of Directors, Audit Committee and Risk Management Committee have also confirmed that they have reviewed the effectiveness of the risk management and internal control systems of the Group and its principal subsidiaries, covering all important monitoring aspects of the Group, including strategic, financial, operational and compliance monitoring.

The Company has also conducted procedures of risk management, which mainly include:

- 1) Identify risk and form risk list;
- 2) Based on the possibility of various types of potential risks and the concerns of the management of the Group, combined with the risk of financial losses, make risk assessment on the impact of operational efficiency, sustainable development capacity and reputation, and prioritize them;
- 3) Identify risk management measures for significant risks, conduct evaluations of the design of risk management measures, and improve the deficiencies through formulating measures;
- 4) Develop risk management manuals for risk management, identify the responsibilities for the management, Board of Directors, Audit Committee and Risk Management Committee in risk management, and continuously monitor risk management;
- 5) The management has reported to the Audit Committee and Risk Management Committee on the review and assessment of risk management, major risk factors and related response measures.

However, risk management and internal control systems are designed to manage rather than eliminate the risk of failing to reach a business goal, and to make reasonable, not absolute, warranties of no significant misrepresentation or loss.

Set out below is the Company's procedures and internal controls for handling and distributing inside information:

- The Company acknowledges its obligations under the Securities and Futures Ordinance and the Listing Rules. The first principle is that the information should be immediately published when the Company is aware of and/or when the related decision is made, unless such inside information falls under the Safe Harbour Provisions under the Securities and Futures Ordinance;
- In dealing with the matters, adhere to the Guidelines on Disclosure of Inside Information promulgated by the Securities and Futures Commission in June 2012 and the "Recent Economic Developments and the Disclosure Obligations of Listed Issuers" issued by the SEHK in 2008; and
- Unauthorized use of confidential or inside information has been expressly prohibited in the internal system.

The Company has set up internal audit function. The Board has reviewed the effectiveness of risk management and internal control systems during the Reporting Period and considered them to be effective and adequate. The Board will continuously improve and monitor the effectiveness of risk management and internal control systems.

Compliance with the Code on Corporate Governance Practices

Throughout the six months ended 30 June 2022, save as disclosed below, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for Code Provision A.2.1.

Code Provision A.2.1

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

Provision Code A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhang Jianhong is both the Chairman and Chief Executive Officer of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same position provides the Group with stronger and more consistent leadership and allows for more effective planning. Further, the Board considers that this structure will not impair the balance of power, which has been closely monitored by the Board, which comprises experienced and high caliber individuals. The Board has full confidence in Mr. Zhang and believes that the current arrangement is beneficial to the business prospect of the Group.

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, 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.

On 9 July 2021, the Board has resolved to grant Options to a total of 1,372 selected employees to purchase a total of 62,570,000 Option Shares at an exercise price of HK\$4.27 per Option Share, with an exercise period of 5 calendar years commencing from 9 July 2021 and expiring on 8 July 2026, both dates inclusive.

During the six months ended 30 June 2022, 1,321,000 Shares 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.

As at 30 June 2022, 18,131,000 Shares are held by the trustee under the Employee Option Scheme.

Subsequent to the reporting period, on 26 July 2022, Hong Kong Tai Li International Trading Company Limited, a wholly-owned subsidiary of the Company, was newly appointed as the trustee of the Employee Option Scheme while Hong Kong Ju Yue International Trading Company Limited had resigned as the trustee.

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 and the grant of the Options are set out in the Company's announcement dated 27 December 2018 and 9 July 2021, respectively.

Use of Proceeds from the 2021 Placing

As of 30 June 2022, the Group had utilized the net proceeds as set out in the table below:

Usage	Amount	Amount of net proceeds utilized as of 30 June 2022	Balance of net proceeds unutilized as of 30 June 2022	Intended timetable for use of the unutilized net proceeds
(a) Enhancing the Group's production capacity of PVDF (a type of fluoropolymer that is climate resistant and highly machinable with excellent mechanical properties, which can be used as weather-resistant coating materials, adhesives for lithium batteries and photovoltaic backplanes) and its raw material (being R142b collant)	Approximately HK\$2.0 billion	Approximately HK\$271 million	Approximately HK\$1,729 million	31 December 2025
(b) Enhancing the Group's production capacity of PTFE (a synthetic fluoropolymer with high level of resistance to temperature changes, electrical insulation, and aging and chemical resistant) and its raw material (being R22 coolant)	Approximately HK\$800 million	Approximately HK\$397 million	Approximately HK\$403 million	31 December 2022
(c) Replenishing the general working capital of the Group	Approximately HK\$510 million	Approximately HK\$255 million	Approximately HK\$255 million	31 December 2022

DIRECTORS

The Directors during the six months ended 30 June 2022 and up to date of this report were:

Executive Directors

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

Mr. Fu Kwan

Mr. Wang Weidong

Mr. Zhang Zhefeng (*Vice President and Chief Financial Officer*)

Mr. Zhang Jian

Mr. Zhang Bishu (*passed away on 21 June 2022*)

Independent Non-Executive Directors

Mr. Ting Leung Huel, Stephen

Mr. Yang Xiaoyong

Mr. Ma Zhizhang

DIRECTOR'S RIGHTS TO ACQUIRE SHARES

Other than as disclosed in the section headed "Employee Option Scheme" in this report, at no time during the six months ended 30 June 2022 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 2022, 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 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 which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which 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	258,948,451 (L)	11.49 (L)
	Beneficial interest	7,147,636 (L)	0.32 (L)
Mr. Fu Kwan	Corporate interest ²	520,977,818 (L)	23.12 (L)
Mr. Zhang Zhefeng	Beneficial interest	750,000 (L)	0.03 (L)
Mr. Zhang Jian	Beneficial interest	91 (L)	0.00 (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 258,948,451 Shares (L) held by Dongyue Team Limited.
- These Shares in which 150,000,000 Share (L) are directly held by Macrolink Overseas Development Limited ("Macrolink Overseas", a wholly owned subsidiary of Macrolink International) and 370,977,818 Shares (L) 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 Cheung Shek Investment Limited ("Cheung Shek") as to 93.4% and by Mr. Fu Kwan as to 2.83%, respectively, wholly owns Macrolink Industrial. In addition, Mr. Fu Kwan and Ms. Xiao Wenhui directly own Cheung Shek as to 59.76% and 33.46%, respectively. All of 150,000,000 Shares held by Macrolink Overseas and 50,000,000 Shares out of 370,977,818 Shares held by Macrolink International are subject to shares charges as security of borrowings.
- L: Long Position

Save as disclosed above, as at 30 June 2022, 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 2022, 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 Overseas	Beneficial interest ¹	150,000,000 (L)	6.66 (L)
Macrolink International	Beneficial interest ¹	370,977,818 (L)	16.46 (L)
	Corporate interest ¹	150,000,000 (L)	6.66 (L)
Macrolink Industrial	Corporate interest ¹	520,977,818 (L)	23.12 (L)
Macrolink Holding	Corporate interest ¹	520,977,818 (L)	23.12 (L)
Cheung Shek	Corporate interest ¹	520,977,818 (L)	23.12 (L)
Ms. Xiao Wenhui	Corporate interest ¹	520,977,818 (L)	23.12 (L)
Dongyue Team Limited	Beneficial interest ²	258,948,451 (L)	11.49 (L)

Notes:

- These Shares in which 150,000,000 Shares (L) are directly held by Macrolink Overseas (a wholly owned subsidiary of Macrolink International) and 370,977,818 Shares (L) directly held by Macrolink International which in turn is wholly owned by Macrolink Industrial. Macrolink Holding, a company owned by Cheung Shek as to 93.4% and by Mr. Fu Kwan as to 2.83%, respectively, wholly owns Macrolink Industrial. In addition, Mr. Fu Kwan and Ms. Xiao Wenhui directly own Cheung Shek as to 59.76% and 33.46%, respectively. All of 150,000,000 Shares held by Macrolink Overseas and 50,000,000 Shares out of 370,977,818 Shares held by Macrolink International are subject to shares charges as security of borrowings.
- Pursuant to the SFO, as Mr. Zhang Jianhong holds 100% interest in Dongyue Team Limited, Mr. Zhang is deemed to be interested in the 258,948,451 Shares (L) held by Dongyue Team Limited.
- L: Long Position

(c) Interests in other members of the Group as at 30 June 2022

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.	Zibo Juyue Trading Co., Ltd.	Corporate	16.78
Inner Mongolia Dongyue Peak Fluorine Chemicals Co., Ltd.	Chifeng Zhongxing Information Technology Co., Ltd.	Corporate	49
Chifeng HuaSheng Mining Co., Ltd.	Chifeng Zhongxing Information Technology Co., Ltd.	Corporate	20
Yucheng Boyu Real Estate Marketing Planning Co., Ltd	Dalian Zhongyu Investment Co., Ltd.	Corporate	30

Save as disclosed above, so far as is known to the Directors and the chief executive of the Company, as at 30 June 2022, 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



To the Board of Directors of Dongyue Group Limited
(Incorporated in 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 25 to 48, which comprise the condensed consolidated statement of financial position as of 30 June 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The 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 Standard 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.

Elite Partners CPA Limited
Certified Public Accountants

10th Floor, 8 Observatory Road,
Tsim Sha Tsui, Kowloon,
Hong Kong
22 August 2022

Lock Kwong Hang, Simon
Practising Certificate Number: P06735

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	3	10,113,288	6,470,878
Cost of sales		(6,385,543)	(4,775,068)
Gross profit		3,727,745	1,695,810
Other income and other gains or losses	4	95,489	96,302
Distribution and selling expenses		(218,250)	(191,295)
Administrative and other expenses		(568,190)	(247,337)
Research and development costs		(616,590)	(302,758)
Fair value change on financial asset at fair value through profit or loss ("FVTPL")		(37,669)	(7,092)
Share of results of an associate		15,682	7,024
Finance costs		(17,159)	(52,759)
Profit before taxation		2,381,058	997,895
Income tax expense	5	(413,418)	(203,105)
Profit for the period	6	1,967,640	794,790
Other comprehensive expense <i>Item that will not be reclassified subsequently to profit or loss:</i>			
– Fair value changes on equity instruments at fair value through other comprehensive income ("FVTOCI")		(17,205)	(88,922)
Total comprehensive income for the period		1,950,435	705,868
Profit for the period attributable to:			
– Owners of the Company		1,692,775	603,234
– Non-controlling interests		274,865	191,556
		1,967,640	794,790
Total comprehensive income for the period attributable to:			
– Owners of the Company		1,675,570	514,312
– Non-controlling interests		274,865	191,556
		1,950,435	705,868
Earnings per share	8		
– Basic and diluted (RMB)		0.76	0.29

Condensed Consolidated Statement of Financial Position

At 30 June 2022

	Notes	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	9,172,785	8,298,069
Right-of-use assets		840,213	838,270
Deposits paid for purchase of property, plant and equipment		742,925	471,203
Interest in an associate		206,371	198,321
Intangible assets		24,175	31,357
Equity instruments at FVTOCI		373,374	390,579
Financial asset at FVTPL		–	37,669
Deferred tax assets		48,248	42,754
Deposit paid for acquisition of a subsidiary		119,524	119,524
Goodwill		123,420	123,420
		11,651,035	10,551,166
Current assets			
Inventories		1,413,412	1,535,814
Properties for sale		1,623,158	1,592,507
Trade and other receivables	10	3,152,843	2,689,576
Restricted and pledged bank deposits		276,166	129,611
Bank balances and cash		5,671,472	5,102,552
		12,137,051	11,050,060
Current liabilities			
Trade and other payables	11	5,056,335	4,664,371
Borrowings	12	258,300	268,600
Dividend payables		620,666	–
Tax liabilities		248,010	229,278
Lease liabilities		5,156	4,983
Deferred income		66,812	80,256
		6,255,279	5,247,488

Condensed Consolidated Statement of Financial Position

At 30 June 2022

	Notes	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Net current assets		5,881,772	5,802,572
Total assets less current liabilities		17,532,807	16,353,738
Capital and reserves			
Share capital	13	212,196	212,338
Reserves		13,935,261	12,911,243
Equity attributable to the owners of the Company		14,147,457	13,123,581
Non-controlling interests		2,514,606	2,515,042
Total equity		16,662,063	15,638,623
Non-current liabilities			
Deferred tax liabilities		169,639	87,671
Borrowings	12	412,300	355,500
Lease liabilities		36,158	35,175
Deferred income		252,647	236,769
		870,744	715,115
		17,532,807	16,353,738

The condensed consolidated financial statements on pages 25 to 48 were approved and authorised for issue by the board of directors on 22 August 2022 and are signed on its behalf by:

Zhang Jianhong
Director

Zhang Zhefeng
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Attributable to owners of the Company											Total	
	Share capital	Share premium	Equity instruments at FVTOCI reserve	Merger reserve	Capital reserve	Safety reserve	Statutory surplus reserve	Share option reserve	Share held for employee option scheme	Retained earnings	Sub-total		Non-controlling interests
	RMB'000	RMB'000 (Note a)	RMB'000 (Note b)	RMB'000 (Note c)	RMB'000 (Note d)	RMB'000 (Note e)	RMB'000 (Note f)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2021	200,397	1,224,924	(1,440,526)	(32,210)	195,790	4,823	1,319,563	-	(223,537)	7,293,082	8,542,306	1,988,206	10,530,512
Profit for the period	-	-	-	-	-	-	-	-	-	603,234	603,234	191,556	794,790
Other comprehensive expenses:													
Fair value changes on equity instruments at FVTOCI	-	-	(88,922)	-	-	-	-	-	-	-	(88,922)	-	(88,922)
Total comprehensive (expense)/income for the period	-	-	(88,922)	-	-	-	-	-	-	603,234	514,312	191,556	705,868
Transfer	-	-	-	-	-	-	-	-	-	408	408	117	525
Purchase of shares under employee option scheme	-	-	-	-	-	-	-	-	(7,052)	-	(7,052)	-	(7,052)
Dividends declared	-	-	-	-	-	-	-	-	-	(263,116)	(263,116)	-	(263,116)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(80,156)	(80,156)
As at 30 June 2021 (unaudited)	200,397	1,224,924	(1,529,448)	(32,210)	195,790	4,823	1,319,563	-	(230,589)	7,633,608	8,786,858	2,099,723	10,886,581
As at 1 January 2022	212,338	3,952,498	(1,674,624)	(32,210)	195,790	5,289	1,583,712	-	(270,503)	9,151,291	13,123,581	2,515,042	15,638,623
Profit for the period	-	-	-	-	-	-	-	-	-	1,692,775	1,692,775	274,865	1,967,640
Other comprehensive expenses:													
Fair value changes on equity instruments at FVTOCI	-	-	(17,205)	-	-	-	-	-	-	-	(17,205)	-	(17,205)
Total comprehensive (expense)/income for the period	-	-	(17,205)	-	-	-	-	-	-	1,692,775	1,675,570	274,865	1,950,435
Transfer	-	-	-	-	-	(634)	-	-	-	-	(634)	44	(590)
Purchase of shares under employee option scheme	-	-	-	-	-	-	-	-	(11,619)	-	(11,619)	-	(11,619)
Shares repurchased and cancelled	(142)	(18,169)	-	-	-	-	-	-	-	-	(18,311)	-	(18,311)
Dividends declared	-	-	-	-	-	-	-	-	-	(620,666)	(620,666)	-	(620,666)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(254,353)	(254,353)
Acquisition of additional interests in a subsidiary from non-controlling interests (note g)	-	-	-	-	-	-	-	-	-	(464)	(464)	(20,992)	(21,456)
As at 30 June 2022 (unaudited)	212,196	3,934,329	(1,691,829)	(32,210)	195,790	4,655	1,583,712	-	(282,122)	10,222,936	14,147,457	2,514,606	16,662,063

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

Notes:

- (a) Under the Companies Law (Revised) of the Cayman Islands, the share premium of the Company is distributable to the owners of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.
- (b) The equity instruments at FVTOCI reserve comprises the cumulative net change in the fair value of equity instruments at FVTOCI under IFRS 9 that are held at the end of the reporting period.
- (c) Merger reserve arose in group reorganisation completed in 2006.
- (d) On 16 November 2007, the Company repurchased all of the 275,000,000 previously issued ordinary shares of US\$0.1 each and these repurchased ordinary shares were cancelled with all of the authorised but unissued share capital as of that date. On the same date, the authorised share capital was increased to HK\$400,000,000 by the creation of 4,000,000,000 new ordinary shares of HK\$0.1 each. 275,000,000 new ordinary shares of HK\$0.1 each were then issued to the shareholders existing on 15 November 2007. The excess of the repurchased amount over the nominal amount of new shares issued was credited directly to the capital reserve.

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

- (e) Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety of the People's Republic of China ("PRC"), some of the Group's PRC subsidiaries are required to set aside an amount of safety reserve at progressive rates from 0.5% to 4% of the total revenue from the sales of hazardous chemical. The reserve can be utilised for the spending in improvements and maintenances of work safety on the Group's daily operations, which are considered expenses in nature and charged to the profit and loss as incurred.
- (f) In accordance with the Company Law of 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.

- (g) During the six months ended 30 June 2022, the Group further acquired 49% of the equity interest of Shandong Dongyue Wenhe Fluorine Chemicals Co., Ltd ("Wenhe Fluorine") from the minority shareholder. Upon completion of the acquisition, Wenhe Fluorine became a wholly-owned subsidiary of the Group.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
NET CASH FROM OPERATING ACTIVITIES	2,545,245	1,209,438
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,603,083)	(1,065,444)
Proceeds from disposals of property, plant and equipment	23,287	22,636
Purchase of intangible assets	(929)	(1,035)
Proceeds from disposals of right-of-use assets	–	8,495
Payment for right-of-use assets	(12,100)	(61,895)
Interest received	34,188	34,972
(Placements of)/proceeds from pledged bank deposits	(146,555)	55,951
Dividend received from an associate	7,632	–
Dividend received from equity instruments at FVTOCI	–	7,200
Deposit paid for acquisition of a subsidiary	–	(119,524)
Proceed from disposal of equity instruments at FVTOCI	–	50,000
Payment for acquisition of equity instruments at FVTOCI	–	(60,000)
NET CASH USED IN INVESTING ACTIVITIES	(1,697,560)	(1,128,644)
FINANCING ACTIVITIES		
Proceeds from borrowings	420,000	816,755
Repayment of borrowings	(373,500)	(721,351)
Repayment of lease liabilities	(2,367)	(1,252)
Payment on purchase of shares under employee option scheme	(11,619)	(7,052)
Payment on repurchase and cancellation of shares	(18,311)	–
Interest paid	(17,159)	(52,759)
Dividends paid to non-controlling interests	(254,353)	(80,156)
Acquisition of additional interests in a subsidiary from non-controlling interests	(21,456)	–
NET CASH USED IN FINANCING ACTIVITIES	(278,765)	(45,815)
NET INCREASE IN CASH AND CASH EQUIVALENTS	568,920	34,979
CASH AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD	5,102,552	4,275,728
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
Represented by:		
Bank balances and cash	5,671,472	4,310,707

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (“IAS 34”) “Interim Financial Reporting” issued by the International Accounting Standard Board (“IASB”) as well as 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 except for certain financial instruments, which are measured at fair value through profit or loss and fair value through other comprehensive income.

The accounting policies and the methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

Application of amendments to International Financial Reporting Standards (“IFRSs”)

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

3. Segment information

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

3. Segment information (Continued)

Segment revenue and results

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

Six months ended 30 June 2022 (Unaudited)

	Polymers RMB'000	Organic silicone RMB'000	Refrigerants 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	3,318,963	3,451,972	2,087,848	764,785	250,276	239,444	-	10,113,288
Inter-segment sales	-	-	1,482,950	7,595	-	540,684	(2,031,229)	-
Total revenue – segment revenue	3,318,963	3,451,972	3,570,798	772,380	250,276	780,128	(2,031,229)	10,113,288
Segment results	1,148,539	636,691	353,822	213,517	4,750	78,472	-	2,435,791
Unallocated corporate expenses								(15,587)
Fair value change on financial asset at FVTPL								(37,669)
Share of results of an associate								15,682
Finance costs								(17,159)
Profit before taxation								2,381,058

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

3. Segment information (Continued)

Segment revenue and results (Continued)

Six months ended 30 June 2021 (Unaudited)

	Polymers RMB'000	Organic silicone RMB'000	Refrigerants 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	1,942,387	1,610,491	1,223,303	749,218	743,382	202,097	-	6,470,878
Inter-segment sales	-	-	1,068,514	7,445	-	524,692	(1,600,651)	-
Total revenue – segment revenue	1,942,387	1,610,491	2,291,817	756,663	743,382	726,789	(1,600,651)	6,470,878
Segment results	412,574	417,732	118,472	9,332	31,429	71,256	-	1,060,795
Unallocated corporate expenses								(10,073)
Fair value change on financial asset at FVTPL								(7,092)
Share of results of an associate								7,024
Finance costs								(52,759)
Profit before taxation								997,895

Segment results represent the results of each segment without allocation of unallocated expenses and central administration costs, directors' salaries, share of results of an associate, fair value change on financial asset at FVTPL, 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

4. Other Income and Other gains or losses

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Other income		
Government grants (note i)	16,557	55,970
Bank deposits interest income	34,188	34,972
Dividend income received from equity instruments at FVTOCI	–	7,200
Other interest income (note ii)	6,833	1,608
Sundry income	3,127	5,873
	60,705	105,623
Others gains or losses		
Compensation received	–	326
Exchange difference, net	34,784	(9,647)
	34,784	(9,321)
	95,489	96,302

Notes:

- (i) During the six months ended 30 June 2022, the Group recognised government grants of RMB3,369,000 (six months ended 30 June 2021: RMB11,290,000) in the condensed consolidated statement of profit or loss and other comprehensive income. Government grants mainly represent the expenditure on research activities which are recognised as expense in the period in which they are incurred by the Group. The Group recognised these government grants as other income when there were no unfulfilled conditions or contingencies.

During the six months ended 30 June 2022, in addition, the Group recognised government grant of RMB13,188,000 (six months ended 30 June 2021: RMB44,680,000), which was released from deferred income, in the consolidated statement of profit or loss and other comprehensive income. The Group received subsidies from government in respect of the acquisition of property, plant and equipment for manufacturing of chemical products. Such subsidies are classified as deferred income in the consolidated statement of financial position and will be recognised in the consolidated statement of profit or loss and other comprehensive income over the estimated useful lives of the related assets.

- (ii) Included in other interest income was interest income of RMB6,833,000 arising from discounting for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB1,608,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

5. Income tax expense

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax		
PRC enterprise income tax ("EIT")		
– Current year	378,845	171,326
– Under/(over) provision in prior years	21,390	(7,478)
Land Appreciation Tax ("LAT")	4,811	16,287
	405,046	180,135
Deferred tax		
– Withholding tax for distributable profits of PRC subsidiaries	52,354	17,598
– Others	(43,982)	5,372
	8,372	22,970
Income tax expense	413,418	203,105

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% (six months ended 30 June 2021: 25%), except for certain PRC subsidiaries being awarded the Advanced-Technology Enterprise Certificate and entitled for a tax reduction from 25% to 15%.

The Company's subsidiaries incorporated in Hong Kong is subject to income tax at the rate of 16.5% on the estimated assessable profits. No provision for Hong Kong profit tax is provided for as the Group did not have estimated assessable profits arising in Hong Kong during both periods.

Pursuant to the local rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

5. Income tax expense (Continued)

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 EIT pursuant to Articles 3 and 27 of the Income Tax Law Concerning Foreign Investment Enterprises and Foreign Enterprises and Article 91 of the Detailed Rules for the Implementation of the Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises. Deferred tax liability of RMB52,354,000 (six months ended 30 June 2021: RMB17,598,000) on the undistributed earnings of subsidiaries has been charged to profit or loss for the six months ended 30 June 2022.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

6. Profit for the period

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

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Amortisation of intangible assets (included in cost of sales)	8,111	7,858
Depreciation of property, plant and equipment	423,321	339,660
Depreciation of right-of-use assets	13,680	13,492
Fair value change on financial asset at FVTPL	37,669	7,092
Government grants	(16,557)	(55,970)
Loss on disposal of property, plant and equipment	10,037	15,474
(Reversal of impairment on)/impairment on trade and other receivables	(3,859)	4,305
Write-down of inventories (included in cost of sales)	102,264	14,835

7. Dividends

During the six months ended 30 June 2022, a final dividend of HK\$0.34 per share amounting to HK\$766,254,000 (equivalent to RMB620,666,000) in respect of the year ended 31 December 2021 (six months ended 30 June 2021: a final dividend of HK\$0.14 per share amounting to HK\$295,636,000 (equivalent to RMB263,116,000) in respect of the year ended 31 December 2020) has been declared and the amount has been paid as at the date of this interim report.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

8. Earnings per share

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

	Six months ended 30 June	
	2022 '000 (unaudited)	2021 '000 (unaudited)
Profit for the year attributable to owners of the Company, used in the basic and diluted earnings per share calculations	1,692,775	603,234
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	2,236,097	2,059,164

During the six months ended 30 June 2022, the Group purchased 1,321,000 ordinary shares under employee option scheme (during the six months ended 30 June 2021, the Group purchased 1,650,000 ordinary shares under employee option scheme).

The Company repurchased and cancelled 1,501,000 shares of its own ordinary shares of the Company during the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the six months ended 30 June 2022 and 2021 has been arrived at after deducting the shares held in trust for the Company.

9. Movement in property, plant and equipment

During the six months ended 30 June 2022, the additions of property, plant and equipment is approximately RMB1,331,361,000 (six months ended 30 June 2021: RMB551,749,000) for the expansion of its business operations relating to refrigerants, polymers and organic silicone segments.

During the six months ended 30 June 2022, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB33,324,000 (six months ended 30 June 2021: RMB38,110,000) for proceeds of RMB23,287,000 (six months ended 30 June 2021: RMB22,636,000), resulting in a loss on disposal of RMB10,037,000 (six months ended 30 June 2021: loss on disposal of RMB15,474,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

10. Trade and other receivables

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Trade receivables (note)	2,575,804	2,309,447
Less: allowance for doubtful debts	(3,266)	(2,260)
	2,572,538	2,307,187
Prepayments for raw materials	218,762	115,069
Value-added tax receivables	77,922	80,007
Deposit paid for property development	45,864	38,000
Deposits and other receivables	237,757	149,313
	3,152,843	2,689,576

Included in trade receivables are bills receivables amounting to RMB2,059,411,000 as at 30 June 2022 (31 December 2021: RMB2,015,258,000).

Included in bills receivables are amount due from an associate of approximately RMB5,565,000 as at 30 June 2022 (31 December 2021: RMB19,095,000).

Customers are generally granted with credit period ranged between 30-90 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.

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Within 90 days	1,264,380	1,736,823
91-180 days	1,305,737	569,118
181-365 days	2,421	1,246
	2,572,538	2,307,187

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

11. Trade and other payables

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Trade payables (note i)	2,565,300	2,588,251
Contract liabilities – sale of chemical products (note ii)	196,687	232,921
Contract liabilities – sale of properties (note iii)	569,339	612,994
Payroll payable	552,038	439,263
Payable for property, plant and equipment	509,790	279,480
Other tax payables	62,765	61,419
Construction cost payables for properties under development for sale	107,980	128,924
Other payables and accruals	492,436	321,119
Total	5,056,335	4,664,371

Notes:

- (i) Included in the trade payables are bills payables amounting to RMB170,000,000 (31 December 2021: RMB172,257,000). Bills payables are secured by the Group's pledged bank deposits and bills receivables.
- (ii) The amount represents the receipt in advance from customers arising from pre-sale of chemical products.
- (iii) The amount represents the receipt in advance from customers arising from the pre-sale of properties in the PRC. The amount was secured by pledged bank deposits of approximately RMB145,538,000 (31 December 2021: RMB124,145,000) as at 30 June 2022.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

11. Trade and other payables (Continued)

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

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Within 30 days	1,532,905	1,644,568
31-90 days	611,756	660,141
91-180 days	154,409	195,027
181-365 days	218,597	33,724
1-2 years	32,135	34,987
More than 2 years	15,498	19,804
	2,565,300	2,588,251

12. Borrowings

During the six months ended 30 June 2022, the Group obtained new loans amounting to approximately RMB420,000,000 (six months ended 30 June 2021: RMB816,755,000) and repaid loans amounting to approximately RMB373,500,000 (six months ended 30 June 2021: RMB721,351,000). The loans carry interest at rates promulgated by the People's Bank of China Benchmark Interest Rate.

As at 30 June 2022, secured bank borrowings of RMB40,000,000 were secured by the Group's buildings and right-of-use assets with the aggregate carrying amount of approximately RMB58,175,000 (31 December 2021: 61,037,000). The secured bank borrowings carry interest at 4.05% per annum (31 December 2021: 4.20% per annum).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

13. Share capital

	Number of shares '000	Share capital RMB'000
Ordinary share of HK\$0.1 each		
<i>Authorised:</i>		
At 1 January 2021, 30 June 2021, 1 January 2022 and 30 June 2022	4,000,000	382,200
<i>Issued and fully paid:</i>		
At 1 January 2021 and 30 June 2021	2,111,689	200,397
Placing of new shares	145,000	12,063
Shares repurchased and cancelled	(1,499)	(122)
At 31 December 2021 and 1 January 2022	2,255,190	212,338
Shares repurchased and cancelled	(1,501)	(142)
At 30 June 2022	2,253,689	212,196

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

14. 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 years.

Pursuant to the Employee Option Scheme, Dongyue Fluorosilicone Science and Technology Group Co., Ltd., a wholly-owned subsidiary of the Company, as the trustee (the "Trustee") will purchase existing shares of the Company ("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.

On 15 September 2021, the Company newly appointed Hong Kong Ju Yue International Trading Company Limited (香港聚悅國際貿易有限公司) ("Hong Kong Ju Yue"), an independent third party as the new trustee of the Employee Option Scheme while the Dongyue Fluorosilicone Science and Technology Group Co., Ltd. (formerly known as "Shandong Dongyue Future Enterprise Management Consulting Services Co., Ltd."), was resigned from the trustee.

During the six months ended 30 June 2022, the Trustee purchased an aggregate of 1,321,000 shares (six months ended 30 June 2021: 1,650,000 shares) of the Company from the market at a total consideration of approximately RMB11,619,000 (six months ended 30 June 2021: RMB5,666,000). No share options have been granted under the Employee Option Scheme for the six months ended 30 June 2022 (six months ended 30 June 2021: nil), and no share options outstanding under the Employee Option Scheme as at the date of approval of these condensed consolidated financial statements for the six months ended 30 June 2022.

Subsequent to the reporting period, on 26 July 2022, the Company newly appointed Hong Kong Tai Li International Trading Company Limited, a wholly-owned subsidiary of the Company, as the new trustee of the Employee Option Scheme while Hong Kong Ju Yue was resigned from the trustee.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

15. Commitments

At 30 June 2022 and 31 December 2021, the Group had outstanding commitments as follows::

	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(unaudited)	(audited)
Capital Commitment		
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	737,402	257,983
Capital expenditure in respect of equity instruments at FVTOCI contracted for but not provided in the consolidated financial statements	480,000	480,000
	1,217,402	737,983
Other Commitment		
Construction commitment contracted in respect of properties under development for sale contracted for but not provided in the consolidated financial statements	72,000	21,299
	1,289,402	759,282

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

16. Fair value measurement

Some of the Group's financial instruments are measured at fair value for financial reporting purposes.

In estimating the fair value, the Group uses market observable data to the extent it is available. For instruments with significant unobservable inputs under level 3, the Group engages third party qualified valuers to perform the valuation. The following table gives information about how the fair values of these financial assets are determined.

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs(s)	Significant unobservable inputs(s)	Sensitivity/relationship of unobservable input(s) to fair value
	30/06/2022 RMB'000	31/12/2021 RMB'000				
Equity instruments at FVTOCI	Unlisted equity instruments - 81,656	Unlisted equity instruments - 82,254	Level 3	Income approach – discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate discount rate.	Discount rate, taking into account the cost of equity (COE)/weighted average cost of capital (WACC) determined using a Capital Asset Pricing Model, ranging from 7.1% to 9.3% (31 December 2021: 7.6% to 10%).	The lower the COE/WACC or discount for lack of marketability, the higher the fair value, and vice versa.
	Unlisted equity instruments - 291,718	Unlisted equity instruments - 308,325	Level 3	Market approach – based on trading multiples derived from publicly traded companies that are similar to the subject company.	Discount for lack of marketability, determined by a number of research studies including restricted stock studies by an independent valuer, of 20.1% (31 December 2021: 20.6%). Recent transaction price of the comparable public companies	The higher the recent transaction price, the higher the fair value and vice versa. The lower the discount for lack of marketability, the higher the fair value, and vice versa.
Financial asset at FVTPL	Derivative financial instruments - unlisted put option - nil	Derivative financial instruments - unlisted put option - 37,669	Level 3	Black-Scholes model – mathematical model for the dynamics of a financial market containing derivative investment instruments, based on an appropriate interest rate and the volatility.	Interest rate, based on the yield curve of China Sovereign Curve as of valuation dates, of 2.44% for the year ended 31 December 2021. Volatility, estimated based on annualised standard deviation of daily stock price return of comparable companies for the period before valuation date and with similar time span as time to expiration, of 50.72% for the year ended 31 December 2021.	The lower the interest rate, the higher the fair value and vice versa; The higher the volatility, the higher the fair value and vice versa.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

16. Fair value measurement (Continued)

Reconciliation of Level 3 fair value measurements

	Financial asset of FVTPL RMB'000	Equity instruments at FVTOCI RMB'000
At 1 January 2021	15,799	402,177
Total losses:		
– in other comprehensive income	–	(88,922)
– in profit or loss	(7,092)	–
Purchases	–	60,000
Disposals	–	(116,000)
At 30 June 2021 (unaudited)	8,707	257,255
As at 1 January 2022	37,669	390,579
Total losses:		
– in other comprehensive income	–	(17,205)
– in profit or loss	(37,669)	–
At 30 June 2022 (unaudited)	–	373,374

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

17. Related party transactions

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

(a) Related party transactions with an associate of the Group

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Shandong Dongyue Future Hydrogen Energy Materials Co., Ltd ("Dongyue Future Hydrogen Energy")		
– Purchase of raw materials	33,013	17,858
– Sales of chemical products	62,540	36,994
– Rental income	1,111	–

(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 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Short-term employee benefits	15,055	17,006

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

17. Related party transactions (Continued)

(c) Bank deposit placed to major shareholder and related interest income

	At	At
	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(unaudited)	(audited)
Bank deposit placed as at the reporting period	309,888	309,888

	Six months ended 30 June	2021
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest income	955	–

18. Events after the reporting period

On 28 July 2022, the Dongyue Fluorosilicon Science and Technology Group Co., Ltd (the "Transferor"), a wholly-owned subsidiary of the Company, entered into all equity transfer agreement with Zibo Qilu Jishi Start-up Investment Partnership (Limited Partnership) (the "Transferee"), pursuant to which the Transferor agreed to transfer 34,330,000 shares in Dongyue Future Hydrogen Energy, an associate of the Group (representing approximately 7.90% of its total equity interest) to the Transferee at an aggregate consideration of approximately RMB537,608,000 (equivalent to approximately HK\$645,129,000). Details of the transaction were disclosed in the Company's announcement dated 28 July 2022.

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