DONGYUE FEDERATION

DONGYUE GROUP LIMITED

東岳集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 189)

ANNOUNCEMENT OF INTERIM RESULTS FOR 2024

FINANCIAL HIGHLIGHTS

(in RMB million, unless otherwise stated)

	Six months ended 30 June	
	2024	2023
Revenue	**7,261**	7,198
Gross profit	**1,440**	1,132
Gross profit margin	**19.83%**	15.73%
Profit before taxation	**673**	288
Profit for the period	**395**	208
Profit for the period attributable to owners of the Company	**308**	284
Earnings per share — basic and diluted (RMB)	**0.17**	0.13

	As at	
	30 June 2024	31 December 2023
Total equity	**16,693**	16,938
Net assets per share (RMB)	**9.08**	7.71

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

		Six months ended 30 June	
		2024	2023
		RMB'000	*RMB'000*
	Notes	**(unaudited)**	(unaudited)
Revenue	*3*	**7,261,012**	7,198,111
Cost of sales		**(5,821,118)**	(6,065,746)
Gross profit		**1,439,894**	1,132,365
Other income and other gains or losses	*4*	**97,519**	93,816
Distribution and selling expenses		**(230,157)**	(253,801)
Administrative and other expenses		**(344,365)**	(224,066)
Gain on disposal of partial interests of an associate	*5*	**139,049**	–
Loss on disposal of subsidiaries	*12*	**(100,216)**	–
Research and development costs		**(321,439)**	(475,928)
Share of results of associates		**(5,248)**	16,894
Finance costs		**(2,159)**	(1,525)
Profit before taxation		**672,878**	287,755
Income tax expense	*6*	**(277,670)**	(79,686)
Profit for the period	*7*	**395,208**	208,069
Other comprehensive expense			
Item that will not be reclassified subsequently to profit or loss:			
— Fair value changes on equity instruments at fair value through other comprehensive income ("FVTOCI")		**(12,440)**	(1,037)
Total comprehensive income for the period		**382,768**	207,032
Profit/(loss) for the period attributable to:			
— Owners of the Company		**307,649**	283,871
— Non-controlling interests		**87,559**	(75,802)
		395,208	208,069
Total comprehensive income/(expense) for the period attributable to:			
— Owners of the Company		**295,209**	282,834
— Non-controlling interests		**87,559**	(75,802)
		382,768	207,032
Earnings per share			
— Basic and diluted (RMB)	*9*	**0.17**	0.13

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024

	Note	At 30 June 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Non-current assets			
Property, plant and equipment		**11,974,258**	12,193,145
Right-of-use assets		**852,499**	866,630
Deposits paid for purchase of property, plant and equipment		**282,664**	222,722
Interest in associates		**432,241**	469,130
Intangible assets		**15,454**	17,345
Equity instruments at FVTOCI		**90,734**	103,174
Deferred tax assets		**96,288**	129,339
Goodwill		**299,024**	299,024
		14,043,162	14,300,509
Current assets			
Inventories		**1,423,063**	1,546,407
Properties for sale		**146,024**	917,316
Trade and other receivables	*10*	**2,834,581**	2,493,357
Pledged bank deposits		**23,975**	143,859
Bank balances and cash		**2,321,189**	2,547,297
		6,748,832	7,648,236

	Note	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Current liabilities			
Trade and other payables	*11*	**3,170,397**	4,500,284
Tax liabilities		**207,548**	11,449
Lease liabilities		**4,700**	5,198
Deferred income		**33,472**	42,858
Dividends payables		**155,609**	–
		3,571,726	4,559,789
Net current assets		**3,177,106**	3,088,447
Total assets less current liabilities		**17,220,268**	17,388,956
Capital and reserves			
Share capital		**163,506**	212,196
Reserves		**11,295,564**	14,582,025
Equity attributable to the owners of the Company		**11,459,070**	14,794,221
Non-controlling interests		**5,233,806**	2,144,188
Total equity		**16,692,876**	16,938,409
Non-current liabilities			
Deferred tax liabilities		**181,724**	129,481
Lease liabilities		**24,209**	26,851
Deferred income		**321,459**	294,215
		527,392	450,547
		17,220,268	17,388,956

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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 Standards Board ("IASB") and the applicable disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. MATERIAL 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 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 2024 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2023.

Application of amendments to International Financial Reporting Standards ("IFRSs")

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of new standards effective as of 1 January 2024. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

For the current period, the Group has applied all the new and revised International Financial Reporting Standard ("IFRSs") as well as amendments to and interpretation of IFRSs that are relevant to its operations and effective for the financial periods beginning on or after 1 January 2024. These applications do not have a material impact on the condensed consolidated financial statements of the Group.

Standards issued but not yet effective

The Group has not applied the new IFRSs that have been issued but are not yet effective. The application of these new IFRSs will not have material impact on the financial statements of the Group. The Group has already commenced an assessment of the impact of these new IFRSs but is not yet in a position to state whether these new IFRSs would have a material impact on its results of operations and financial position.

3. SEGMENT INFORMATION

The Group's operations are organised based on the different types of products. 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. 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 and liquid alkali; and
- Other operations — manufacturing and sales of side-products of refrigerants segment, polymers segment, organic silicone segment and dichloromethane, PVC and liquid alkali segment, property development and rental income.

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 2024 (Unaudited)

	Polymers *RMB'000*	Organic silicone *RMB'000*	Refrigerants *RMB'000*	Dichloromethane and liquid alkali *RMB'000*	Other operations *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
External sales	2,032,921	2,759,094	1,551,984	515,594	401,419	–	7,261,012
Inter-segment sales	–	–	1,260,670	12,146	624,224	(1,897,040)	–
Total revenue — segment revenue	2,032,921	2,759,094	2,812,654	527,740	1,025,643	(1,897,040)	7,261,012
Segment results	303,391	53,681	332,455	132,756	(171,232)	–	651,051
Unallocated corporate expenses	–	–	–	–	–	–	(9,599)
Gain on disposal of partial interests of an associate							139,049
Loss on disposal of subsidiaries							(100,216)
Share of results of associates							(5,248)
Finance costs							(2,159)
Profit before taxation							672,878

Six months ended 30 June 2023 (Unaudited)

	Polymers *RMB'000*	Organic silicone *RMB'000*	Refrigerants *RMB'000*	Dichloromethane and liquid alkali *RMB'000*	Other operations *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
External sales	2,275,072	2,502,180	1,452,853	601,312	366,694	–	7,198,111
Inter-segment sales	–	–	1,309,308	16,651	520,452	(1,846,411)	–
Total revenue — segment revenue	2,275,072	2,502,180	2,762,161	617,963	887,146	(1,846,411)	7,198,111
Segment results	224,466	(222,336)	168,240	91,906	14,569	–	276,845
Unallocated corporate expenses							(4,459)
Share of results of associates							16,894
Finance costs							(1,525)
Profit before taxation							287,755

Segment results represent the results of each segment without allocation of unallocated expenses and central administration costs, directors' salaries, share of results of associates, gain on disposal of partial interest of an associate, loss on disposal of subsidiaries, 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.

4. OTHER INCOME AND OTHER GAINS OR LOSSES

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Other income		
Government grants *(note (i))*	**36,007**	34,350
Bank deposits interest income	**14,598**	44,738
Interest income from associates	**954**	–
Other interest income *(note (ii))*	**2,573**	3,710
Sundry income	**23,784**	9,233
	77,916	92,031
Others gains or losses		
Exchange difference, net	**19,603**	1,785
	19,603	1,785
	97,519	93,816

Notes:

(i) During the six months ended 30 June 2024, the Group recognised government grants of RMB25,046,000 (six months ended 30 June 2023: RMB3,372,000) 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 2024, in addition, the Group recognised government grant of RMB10,961,000 (six months ended 30 June 2023: RMB30,978,000), 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 interests derived from bill payables of RMB2,573,000 arising from discounting for the six months ended 30 June 2024 (six months ended 30 June 2023: RMB3,710,000).

5. GAIN ON DISPOSAL OF PARTIAL INTERESTS OF AN ASSOCIATE

On 23 October 2023, Dongyue Fluorosilicone Science and Technology Group Co., Ltd. ("Dongyue Fluorosilicone Technology") entered into shares transfer agreement with Macrolink Holding Limited ("MLH"), pursuant to which, Dongyue Fluorosilicone Technology agreed to sell and MLH agreed to purchase 2.32% in interest of Shandong Dongyue Future Hydrogen Energy Materials Co., Ltd ("Dongyue Future Hydrogen Energy", one of the associates of the Group) with a consideration of RMB165,000,000.

Upon the completion of the above transaction in March 2024, the gain on disposal of partial interest in Dongyue Future Hydrogen Energy amounted to RMB139,049,000 was recognized.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax		
PRC enterprise income tax ("EIT")		
— Current year	**131,962**	68,030
— Under/(over) provision in prior years	**5,808**	(17,352)
Land Appreciation Tax ("LAT")	**105,413**	4,503
	243,183	55,181
Deferred tax		
— Withholding tax for distributable profits of PRC subsidiaries	**14,000**	9,123
— Others	**20,487**	15,382
	34,487	24,505
Income tax expense	**277,670**	79,686

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 2023: 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.

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 RMB14,000,000 (six months ended 30 June 2023: RMB9,123,000) on the undistributed earnings of subsidiaries has been charged to profit or loss for the six months ended 30 June 2024.

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.

7. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Amortisation of intangible assets (included in cost of sales)	**2,766**	3,684
Depreciation of property, plant and equipment	**577,621**	581,973
Depreciation of right-of-use assets	**16,059**	11,338
Government grants	**(36,007)**	(34,350)
Loss on disposal of property, plant and equipment	**20,544**	2,281
Impairment on trade and other receivables	**52,504**	2,993
Write-down of inventories (included in cost of sales)	**17,388**	29,711
Impairment of properties for sales (included in cost of sales)	**90,976**	–

8. DIVIDENDS

During the six months ended 30 June 2024, a final dividend of HK$0.10 per share amounting to HK$173,271,164 (equivalent to RMB155,608,768) in respect of the year ended 31 December 2023 (six months ended 30 June 2023: a final dividend of HK$0.60 per share amounting to HK$1,352,213,000 (equivalent to RMB1,196,613,000) in respect of the year ended 31 December 2022) has been declared and the amount has been paid as at the date of this announcement.

9. 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:

	2024 (unaudited)	2023 (unaudited)
Profit for the year attributable to owners of the Company, used in the basic and diluted earnings per share calculations (RMB)	**307,649,000**	283,871,000
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,839,206,000**	2,212,131,000
Earning per share (RMB per share)	**0.17**	0.13

The Group had no ordinary shares purchased under the Employee Option Scheme during the six months ended 30 June 2024 (3,345,000 ordinary shares purchased under the Employee Option Scheme during the six months ended 30 June 2023).

During the six months ended 30 June 2024, the Company repurchased and cancelled 520,978,000 shares. During the six months ended 30 June 2023, the Company did not repurchase or cancel any shares.

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the six months ended 30 June 2024 and 2023 has been arrived at after deducting the shares held in trust for the Employee Option Scheme of the Company and the aforesaid shares repurchased in current period.

10. TRADE AND OTHER RECEIVABLES

	30 June 2024 *RMB'000* **(unaudited)**	31 December 2023 *RMB'000* (audited)
Trade receivables *(note (i))*	**1,730,693**	1,568,806
Less: allowance for doubtful debts	**(8,930)**	(4,298)
	1,721,763	1,564,508
Prepayments for raw materials	**157,011**	87,232
Tax recoverables	**111,193**	240,918
Deposit paid for property development	**–**	21,000
Outstanding amount of deposit receivables *(note (ii))*	**309,888**	–
Loans *(note (iii))*	**150,000**	–
Deposits and other receivables *(note (iv))*	**384,726**	579,699
	2,834,581	2,493,357

Note:

(i) Included in trade receivables are bills receivables amounting to RMB1,259,553,000 as at 30 June 2024 (31 December 2023: RMB1,365,293,000).

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 2024 *RMB'000* **(unaudited)**	31 December 2023 *RMB'000* (audited)
Within 90 days	**749,099**	576,162
91–180 days	**970,534**	971,553
181–365 days	**2,130**	16,793
	1,721,763	1,564,508

(ii) An indirect subsidiary of the Company, Shandong Dongyue Polymers Co., Ltd., placed deposits amounted to RMB309,888,000 to the account of Macro-link Holding Group Finance Company Limited, such deposits were pledged by 11.9% equity interest in Hunan Hualian Porcelain Industry Co.,Ltd. (湖南華聯瓷業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 001216.SZ).

(iii) The loans were provided to Zhangjiajie Xinye Real Estate Development Co., Ltd, which are with a 4%-interest-rate per annum and repayable within one year.

(iv) Included in the carrying amount of deposits and other receivables are amounts due form associates at RMB100,000,000 (31 December 2023: RMB100,000,000), which are with a 2%-interest-rate per annum and repayable within one year.

11. TRADE AND OTHER PAYABLES

	30 June 2024 ***RMB'000*** **(unaudited)**	31 December 2023 *RMB'000* (audited)
Trade payables *(note (i))*	**1,627,474**	2,159,485
Contract liabilities — sale of chemical products *(note (ii))*	**147,643**	133,904
Contract liabilities — sale of properties *(note (iii))*	**47,011**	269,478
Payroll payable	**449,103**	717,997
Payable for property, plant and equipment	**611,746**	748,974
Other tax payables	**64,567**	69,903
Construction cost payables for properties under development for sale	**39,814**	151,731
Other payables and accruals	**183,039**	248,812
Total	**3,170,397**	4,500,284

Notes:

(i) Included in the trade payables are bills payables amounting to RMB239,930,000 (31 December 2023: RMB76,540,000). Bills payables are secured by the Group's pledged bank deposits.

(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 RMB7,332,000 (31 December 2023: RMB68,134,000) as at 30 June 2024.

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

	30 June 2024 ***RMB'000*** **(unaudited)**	31 December 2023 *RMB'000* (audited)
Within 30 days	**670,183**	1,207,282
31–90 days	**391,831**	542,050
91–180 days	**340,089**	200,061
181–365 days	**112,564**	100,422
1–2 years	**91,512**	97,417
More than 2 years	**21,295**	12,253
	1,627,474	2,159,485

12. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Zhangjiajie Xinye Real Estate Development Co., Ltd

On 31 May 2024, one of the subsidiaries of the Group, Shandong DongYue Federation Property Limited" ("山東東岳聯邦置業有限公司", "Federation Property"), entered into a shares transfer agreements with Mr. 呂良(Mr. Lv), pursuant to which, Federation Property agreed to sell and the Mr. Lv agreed to purchase 52% interest of Zhangjiajie Xinye Real Estate Development Co., Ltd.

Net assets at the date of disposal were as follows:

	RMB'000 (Unaudited)
Deferred tax assets	7,769
Properties for sale	270,500
Trade and other receivables	70,461
Bank balances and cash	37,681
Trade and other payables	(260,195)
Net asset disposed of	126,216
Investment in a subsidiary retained	–
Loss on disposal of a subsidiary	(100,216)
Total consideration — satisfied by cash	26,000
Net cash outflow arising on disposal:	26,000
Cash and cash equivalents disposed of	(37,681)
	(11,681)

(b) Disposal of Shandong Boda Real Estate Development Co., Ltd.

On 16 June 2024, Federation Property entered into a shares transfer agreement with Zibo Qidong Property Service Limited (“淄博齊東物業服務有限公司”, “Qidong Property”), pursuant to which, Federation Property agreed to sell and Qidong Property agreed to purchase 100% interest of Shandong Boda Real Estate Development Co., Ltd.

Net assets at the date of disposal were as follows:

	RMB'000 (Unaudited)
Property, plant and equipment	468
Deferred tax assets	42,964
Properties for sale	236,716
Trade and other receivables	255,872
Bank balances and cash	29,195
Trade and other payables	(45,363)
Contract liabilities	(134,995)
Borrowings	(291,704)
Tax liabilities	(93,153)
Net asset disposed of	–
Loss on disposal of a subsidiary	–
Total consideration — satisfied by cash	–
Net cash outflow arising on disposal:	
Cash consideration received	–
Cash and cash equivalents disposed of	(29,195)
	(29,195)

MANAGEMENT DISCUSSION AND ANALYSIS

Results Review

In the first half of 2024, the convoluted condition of both domestic and global economy had caused numerous uncertainties for the fluorosilicon chemical industry. Despite the ongoing recovery of the domestic economy, the insufficient market demand, coupling with the changes in foreign economic environment, had put operating pressure on the domestic enterprises. Under such complicated economic environment, the Group grasped the direction of policy changes, exerted its advantages in the industry, and gained significant results.

I. Seizing the Opportunities Arising from Policy Changes

During the period under review, China began to implement quotas on the third-generation refrigerants in accordance with the international conventions, and all companies within the industry strictly complied with the quota system. Such policy change restricted the supply of third-generation refrigerants, while demand remained solid, resulting in a continuous product price increase. Thank to the remarkable product sales record over the past years, the Group obtained top-ranked quotas among the industry during the period. Therefore, the change in refrigerant policy had led to positive and fruitful results on the Group's operations during the period under review.

II. Smooth Progress for Scientific Research Projects

The Group has always adhered to the path of technological innovation and development, while the management attached great importance to independent research and development. Therefore, the Group's R&D expenditure has remained at a high level in recent years. During the period under review, the Group's R&D expenditure amounted to approximately RMB321,439,000. In the first half of the year, the Group accelerated the construction of its key R&D projects, totaling 26 R&D projects. Among which, the construction stage has essentially been completed, and trial production will gradually commence in the second half of the year. The products of these 26 projects are mainly high-end application materials (such as perfluoropolyether oil, polychlorotrifluoroethylene, high-purity polyvinylidene fluoride and other products) for electronics, semiconductor, automobile, energy, pharmaceuticals and other important fields with good application prospects. The above-mentioned projects are expected to have a capital investment of nearly RMB200 million, which will contribute new growth to the Group's performance after marketing and promotion.

III. Ensuring Efficient Production through High Standards of Safety and Environmental Protection

The Group has strict requirements for safety and environmental protection to safeguard the Group's stability on production. In the first half of the year, the Group continued to maintain high standards and strict requirements for safety and environmental protection, and no safety and environmental protection related incidents was recorded during the period, which helped safeguard a business operating ratio of over 90%. Meanwhile, during the period, the Group's comprehensive energy consumption, hazardous waste and by-products per ton of products and other indicators have all recorded various degrees of decline, indicating a remarkable effect of energy conservation and emission reduction. Safety and environmental protection ensured the efficient and stable operation of the Group in the first half of the year, and also helped enable the Group's products to maintain an leading cost advantage in the market.

IV. Adhering to Cost-saving Measures for Cost Reduction and Expense Control

Although the Group's refrigerants segment achieved satisfactory performance for the first half of the year, the markets for several products of other business segments remained sluggish, and the overall business environment was challenging. In response, we continued our management policy of cost reduction and expense control by further strengthening internal controls. During the first half of the year, the Group further increased the proportion of direct procurement, enhanced the exploration of high-quality manufacturers, improved procurement models and strategies, and showcased the advantage of the Group's economies of scale in purchasing, which resulted in a significant reduction in procurement costs. Additionally through strict cost management, the Group's expenses such as engineering costs, maintenance costs and transportation costs also recorded various degrees of decline. Under the current business environment, the Group's cost and expense control measures have further enhanced its competitiveness in the market.

V. Accelerating Disposal of Real Estate Business

The Group has remained cautious with its real estate business since the engagement in 2011. According to the prevailing industry condition, the Group has decided to gradually withdraw from the real estate industry since early 2020. As at the end of the period under review, such business segment had come near an end, and the Group has no further plan to expand the segment. During the period under review, given the Group's strategic plan to withdraw from the real estate business, most of its assets in real estate business had been disposed, and the relevant financial impact are reflected in the interim financial report in accordance with the accounting standards.

Prospect

Under the current industry condition, despite the remarkable performance of the Group's refrigerants segment, the business landscape on other products remains challenging. To cope with such challenges, the Group will implement the following measures to navigate the operating environment in the second half of the year:

1. ***Increasing marketing of high-end products***

   The Group highly values the development of high-end products, and such development serves as the core strategy on the Group's future development. In the current year, the Group will intensify the product marketing and promotion of 26 high-end projects to help expedite the growth contribution of the Group's business performance. For the future product development of the high-end market, the Group will increase effort in application research to expand the high-end application market. As for the high-end products already available in the market, the Group should stabilize the product indexes through enhanced technology and actively follow up on customer certification to enhance customer satisfaction. The Group will adhere to the high-end strategic approach to pave the way for future development while creating new competitive advantages.

2. ***Further developing the "industry chain ecology"***

   The Group has been focusing on the development of the fluorosilicon industry chain, and an ecology of the entire industry chain has been established. The Group will continue to leverage the integrated industry chain layout to recycle resources in every part of the process to increase value and profit. In addition, the Group will further extend, supplement and strengthen the existing industry chain to enhance the market advantage of its integrated operation.

3. ***Upgrading production technology***

   The Group has numerous technological transformation projects every year, including technology enhancement, renovation and expansion, energy saving and emission reduction, comprehensive utilization, informatization improvement, automation upgrade, etc. During the year, technological transformation remained as one of the top priorities of the Group. Nevertheless, under the current business environment, the Group also needs to further filter the relevant projects to prevent the disproportionate occurrence between investment and production.

4. ***Reinforcing "internal strength" by management skill improvement***

In the first half of the year, the Group recorded significant improvements in cost reduction and efficiency improvement through strengthening management skill. In the future, the Group will continue to impose strict management to save costs and expenses in procurement, transportation and repair and maintenance. The Group will also enhance management on inventory to ensure liquidity and reduce risks. In addition, the Group will improve talent management and optimize process management. Under the current business environment, reinforcing "internal strength" by strengthening management skill is an important method for the Group to enhance its competitive edge in the industry.

Although the macro operating environment is full of uncertainties, the Group perceives these as challenges, as well as opportunities. Leveraging its extensive operating experience and competitive edge in the fluorosilicon chemical industry, the Group will continue to maintain its industry leading position, achieve better performance and create higher value for investors in return for their long-term trust and support.

Financial review

Results Highlights

For the six months ended 30 June 2024, the Group recorded a revenue of approximately RMB7,261,012,000, representing an increase of 0.87% over RMB7,198,111,000 of the corresponding period last year. The gross profit margin increased to 19.83% (corresponding period of 2023: 15.73%) and the consolidated segment results margin* was 8.97% (corresponding period of 2023: 3.85%). The operating results margin** was 9.37% (corresponding period of 2023: 3.78%). During the period under review, the Group recorded a profit before taxation of approximately RMB672,878,000 (corresponding period of 2023: RMB287,755,000), and a net profit of approximately RMB395,208,000 (corresponding period of 2023: RMB208,069,000), while the total comprehensive income for the period was approximately RMB382,768,000 (corresponding period of 2023: RMB207,032,000). The unaudited consolidated results of the Group have been reviewed by the Audit Committee of the Company and the external auditor.

* 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

Shown below is a comparison table, by reportable and operating segments, of the Group's revenue and segment results for the six months ended 30 June 2024 and the six months ended 30 June 2023:

Reportable and Operating Segments	**For the six months ended 30 June 2024**			For the six months ended 30 June 2023		
	Revenue	**Results**	**Segment Results Margin**	Revenue	Results	Segment Results Margin
	RMB'000	***RMB'000***		*RMB'000*	*RMB'000*	
Fluoropolymer	**2,032,921**	**303,391**	**14.92%**	2,275,072	224,466	9.87%
Organic silicone	**2,759,094**	**53,681**	**1.95%**	2,502,180	(222,336)	(8.89%)
Refrigerants	**1,551,984**	**332,455**	**21.42%**	1,452,853	168,240	11.58%
Dichloromethane and Liquid Alkali	**515,594**	**132,756**	**25.75%**	601,312	91,906	15.28%
Others	**401,419**	**(171,232)**	**(42.66%)**	366,694	14,569	3.97%
Total	**7,261,012**	**651,051**	**8.97%**	7,198,111	276,845	3.85%

Analysis of Revenue and Operating Results

During the period under review, affected by the overall environment, most products of the fluorosilicon chemical industry continued to record weak downstream demand following the poor market condition in the previous period, resulting in lower product prices. Due to the policy impact, some product prices of the refrigerants segment recorded significant increase, bringing a considerable increase in such segment results.

Fluoropolymer

During the period under review, the external sales of fluoropolymer segment recorded approximately RMB2,032,921,000, representing a year-on-year decrease of 10.64% (the first half of 2023: RMB2,275,072,000), accounting for 28.00% (the first half of 2023: 31.61%) of the Group's total external sales. The results of the segment recorded a profit of RMB303,391,000, representing an increase of 35.16% as compared with RMB224,466,000 in the same period of the previous year.

During the period under review, the segment condition remained largely the same as at the end of the previous year with weak market demand. Product prices did not see improvement during the period, while some products even suffered from further price decline. Leveraging on its premium products, the Group has expanded market share, while maintaining a relatively lower cost through excellent production management, thereby achieving a significant increase in the segment results despite adverse market condition.

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.

Organic Silicone

During the year, the organic silicone segment's external sales increased by 10.27%, from RMB2,502,180,000 in the previous year to RMB2,759,094,000, accounting for 38.00% (the first half of 2023: 34.76%) of the Group's total external sales. The results of the segment recorded a profit of RMB53,681,000, as compared with a loss of RMB222,336,000 in the same period of previous year.

During the period under review, the organic silicone segment faced complex and ever-changing international situations, risks and challenges. Due to our efforts in product quality improvement, production stabilization, market expansion and cost control, the production volume, sales volume and product revenue had all recorded increase, with lower unit production cost and higher gross profit margin. However, multiple market factors such as capacity expansion and insufficient downstream demand have impacted the organic silicone industry, causing more uncertainties for the future of organic silicone market.

This segment mainly included 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.

Refrigerants

During the period under review, the refrigerants segment's external sales increased by 6.82% from RMB1,452,853,000 in the previous year to RMB1,551,984,000, accounting for 21.37% (the first half of 2023: 20.18%) of the Group's total external sales. The results of the segment recorded a profit of RMB332,455,000, representing a year-on-year increase of 97.61% (the first half of 2023: profit of RMB168,240,000).

During the period under review, the two main product prices of the refrigerants segment, R22 and R32, increased significantly, which contributed mainly to the growth of the segment results. Such price increase of these two products during the period mainly associated with the restriction of quotas.

The Group has the largest production capacity of R22 in the world. Currently, R22 is one of the major refrigerants in the market 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. Currently, R125 and R32 are the mainstream refrigerants in the market and the key mixture for other types of green refrigerants (such as R410a) to replace R22, and they have 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. 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.

Dichloromethane and Liquid Alkali

During the period under review, the segment's external sales decreased by 14.26% from RMB601,312,000 in the previous year to RMB515,594,000, accounting for 7.10% (the first half of 2023: 8.35%) of the Group's total external sales. The results of the segment recorded a profit of RMB132,756,000, representing a year-on-year increase of 44.45% (the first half of 2023: profit of RMB91,906,000).

As part of the chemical commodities, the product prices of this segment fluctuate according to market conditions. During the period under review, products in this segment recorded a significant growth due to a considerable decrease in unit costs despite the still sluggish market.

This segment included the revenue from production and sales of two major auxiliary products (dichloromethane and liquid alkali) of Refrigerants Segment of the Group. 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.

Others

During the period under review, the external sales of the segment were RMB401,419,000, representing an increase of 9.47% as compared with RMB366,694,000 in the previous year. The results of the segment recorded a loss of RMB171,232,000 (the first half of 2023: a profit of RMB14,569,000).

This segment includes the revenue from the production and sales of other by-products from the operating segments of the Group, such as Ammonium Bifluoride, Hydrofluoric Acid and Bromine, and the revenue from the property development business. Such segment loss was mainly due to the impact of the property development business.

Distribution and Selling Expenses

During the period, distribution and selling expenses decreased by 9.32% to RMB230,157,000 from RMB253,801,000 of the corresponding period last year, which was attributable to the decrease in relevant sales and transportation charges during the period as a result of the declining sales volume of certain major products as compared with the corresponding period last year.

Administrative and Other Expenses

During the period, the administrative expenses increased by 53.69% to RMB344,365,000 from RMB224,066,000 of the corresponding period last year, which was mainly attributable to the increase in inventory impairment of the real estate business.

Finance Costs

During the period, finance costs increased by 41.57% to RMB2,159,000 from RMB1,525,000 of the corresponding period last year, which was mainly attributable to the increase in discounted bill interests by some subsidiaries. As of to date, the Company had no borrowings.

Capital Expenditure

For the six months ended 30 June 2024, the Group's capital expenditure was approximately RMB443,503,000 (six months ended 30 June 2023: RMB744,415,000). The Group's capital expenditure was mainly allocated to the construction of right-of-use assets (land use rights), factories, equipment, and production lines for the Group's new projects.

Liquidity and Financial Resources

The Group maintained a sound financial position with healthy working capital management and sufficient operating cash flow. As at 30 June 2024, the Group reported total equity of RMB16,692,876,000, representing a decrease of 1.45% compared with 31 December 2023. As at 30 June 2024, the Group reported bank balances and cash of RMB2,321,189,000 (31 December 2023: RMB2,547,297,000). During the period under review, the Group recorded a total of RMB409,516,000 (six months ended 30 June 2023: RMB713,108,000) net cash inflow from its operating activities. The current ratio (1) of the Group as at 30 June 2024 was 1.89 (31 December 2023: 1.68).

Taking into account the aforesaid figures, coupled with the available bank balances and cash, the unused banking credit facilities, support from these banks, as well as sufficient operating cash flows, the management is confident that the Group has adequate resources to repay any debts, and to fund its requirements on operations and capital expenditures.

Capital Structure

During the period, except as disclosed in the sections headed "Employee Option Scheme" and "Purchase, Sale or Redemption of the Company's Listed Securities" in this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities. The number of issued shares of the Company was 1,732,711,637 as at 30 June 2024.

As at 30 June 2024, the Group had no borrowings (31 December 2023: Nil).

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, the Company has completed the transactions of off-market share buy-back of 520,977,818 shares and disposal of equity interests of the Group's entities on 5 March 2024. Further details of the transactions are set out in the section headed "Off-market Share Buy-back and Disposal and Major and Connected Transaction" in the 2023 annual report of the Company.

Other than disclosed above, the Group recorded no material changes in the Group's structure.

Charge on Assets

As at 30 June 2024, the Group's pledged bank deposits amounted to RMB16,643,000 and RMB7,332,000, which have been pledged to secure the bills payable and deposits from presale of properties, respectively (31 December 2023: RMB75,725,000 and RMB68,134,000, respectively).

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 settled purchases of machinery and equipment from the overseas suppliers.

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 8,393 employees in total as at 30 June 2024 (31 December 2023: 8,742). 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 2024 (six months ended 30 June 2023: Nil).

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

During the current period, the Company repurchased 520,977,818 ordinary shares of the Company (the "Buy-back Shares") off-market, at approximately HK$7.1 per Buy-back Share, on 5 March 2024 pursuant to satisfaction of conditions under the share buy-back agreement dated 23 October 2023 and the special resolution passed by the independent shareholders of the Company on 18 December 2023. The Buy-back Shares were validly cancelled on 3 May 2024.

Further details of the share buy-back are set out in the section headed "Off-market Share Buy-back and Disposal and Major and Connected Transaction" in the 2023 annual report of the Company.

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 2024.

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 2024 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 26 August 2024 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 2024, 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 Zhefeng 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.

Compliance with the Code on Corporate Governance Practices

Throughout the six months ended 30 June 2024, 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

The Company adopted an employee option scheme (the "Employee Option Scheme") which shall be valid and effective for a term of ten (10) years commencing on the adoption date of 27 December 2018. 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$1,300,000,000 in total 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.

As at 30 June 2024, 76,707,000 shares in the amount of HK$731,013,000 are held by the trustee under the Employee Option Scheme. No shares has been purchased during the six months ended 30 June 2024. No option has been granted under the Employee Option Scheme during the reporting period.

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

Further details of the Employee Option Scheme are set out in the Company's announcement dated 27 December 2018, 9 July 2021 and 28 March 2023, respectively.

ANNOUNCEMENT OF INTERIM RESULTS AND PUBLICATION OF INTERIM REPORT

This interim results announcement is published on the Company's website at www.dongyuechem.com and the website of the HKSE at www.hkexnews.hk. The Interim Report will also be available at the websites of the Company and the HKSE and will be dispatched to shareholders of the Company before the end of September 2024.

By Order of the Board
Dongyue Group Limited
Zhang Jianhong
Chairman

The People's Republic of China, 28 August 2024

As at the date of this announcement, the directors of the Company are Mr. Zhang Jianhong, Mr. Wang Weidong, Mr. Zhang Zhefeng and Ms. Chung Tak Lai as executive directors, and Mr. Ting Leung Huel, Stephen, Mr. Yang Xiaoyong and Mr. Ma Zhizhong as independent non-executive directors.