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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 2021

FINANCIAL HIGHLIGHTS

(in RMB million, unless otherwise stated)

	Six months ended 30 June	
	2021	2020
Revenue	**6,471**	4,636
Gross profit	**1,696**	1,006
Gross profit margin	**26.21%**	21.70%
Profit before taxation	**998**	506
Profit for the period	**795**	447
Profit for the period attributable to owners of the Company	**603**	404
Earnings per share – basic and diluted (RMB)	**0.29**	0.20

	As at	
	30 June 2021	31 December 2020
Total equity	**10,887**	10,531
Net assets per share (RMB)	**5.29**	5.10

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Six months ended 30 June	
		2021	2020
		RMB'000	*RMB'000*
	Notes	**(unaudited)**	(unaudited)
Revenue	*3*	**6,470,878**	4,636,363
Cost of sales		**(4,775,068)**	(3,629,967)
Gross profit		**1,695,810**	1,006,396
Other income and other net (loss)/gain	*4*	**96,302**	85,579
Distribution and selling expenses		**(191,295)**	(170,309)
Administrative and other expenses		**(247,337)**	(196,656)
Gain on deemed disposal of a subsidiary		**–**	40,850
Research and development costs		**(302,758)**	(200,395)
Fair value change on financial asset at fair value through profit or loss ("FVTPL")		**(7,092)**	(1,142)
Share of profit of an associate		**7,024**	2,294
Finance costs		**(52,759)**	(60,881)
Profit before taxation		**997,895**	505,736
Income tax expense	*5*	**(203,105)**	(58,989)
Profit for the period	*6*	**794,790**	446,747
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
– Fair value change on equity instruments at fair value through other comprehensive income ("FVTOCI")		**(88,922)**	(198,563)
Total comprehensive income for the period		**705,868**	248,184
Profit for the period attributable to:			
– Owners of the Company		**603,234**	404,128
– Non-controlling interests		**191,556**	42,619
		794,790	446,747
Total comprehensive income attributable to:			
– Owners of the Company		**514,312**	205,565
– Non-controlling interests		**191,556**	42,619
		705,868	248,184
Earnings per share	*8*		
– Basic and diluted (RMB)		**0.29**	0.20

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

	Notes	**At 30 June 2021** *RMB'000* **(unaudited)**	At 31 December 2020 *RMB'000* (audited)
Non-current assets			
Property, plant and equipment		**5,954,889**	5,431,745
Right-of-use assets		**792,499**	752,591
Prepayments for purchase of property, plant and equipment		**701,574**	187,879
Intangible assets		**54,496**	61,320
Interest in an associate		**185,054**	178,030
Equity instruments at FVTOCI		**257,255**	402,177
Financial asset at FVTPL		**8,707**	15,799
Deferred tax assets		**61,134**	56,360
Deposit paid for acquisition of a subsidiary		**119,524**	–
Goodwill		**123,420**	123,420
		8,258,552	7,209,321
Current assets			
Inventories		**1,260,334**	878,046
Properties for sale		**1,863,614**	2,740,757
Trade and other receivables	*9*	**1,933,839**	1,727,219
Pledged bank deposits		**234,837**	290,788
Bank balances and cash		**4,310,707**	4,275,728
		9,603,331	9,912,538

	Notes	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Current liabilities			
Trade and other payables	*10*	**4,081,487**	4,252,985
Borrowings		**861,755**	1,406,650
Dividend payable		**263,116**	–
Tax liabilities		**145,036**	47,044
Lease liabilities		**4,858**	4,827
Deferred income		**15,336**	19,569
		5,371,588	5,731,075
Net current assets		**4,231,743**	4,181,463
Total assets less current liabilities		**12,490,295**	11,390,784
Capital and reserves			
Share capital		**200,397**	200,397
Reserves		**8,586,461**	8,341,909
Equity attributable to the owners of the Company		**8,786,858**	8,542,306
Non-controlling interests		**2,099,723**	1,988,206
Total equity		**10,886,581**	10,530,512
Non-current liabilities			
Deferred income		**320,410**	243,729
Deferred tax liabilities		**106,495**	78,749
Borrowings		**1,138,199**	497,900
Lease liabilities		**38,610**	39,894
		1,603,714	860,272
		12,490,295	11,390,784

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as appropriate.

The accounting policies and the methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

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

In the current interim period, the Group has adopted all the amended IFRSs issued by the IASB that are relevant to its operations and effective for its accounting year beginning on or after 1 January 2021.

Amendments to IFRS 16	Covid-19 Related Rent Concessions
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to IFRSs in the current 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.

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

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

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

Segment revenues and results

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

Six Months ended 30 June 2021 (Unaudited)

	Polymers	Refrigerants	Organic silicone	Dichloromethane PVC and liquid alkali	Property development	Other operations	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
External sales	1,942,387	1,223,303	1,610,491	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	2,291,817	1,610,491	756,663	743,382	726,789	(1,600,651)	6,470,878
Segment results	412,574	118,472	417,732	9,332	31,429	71,256	–	1,060,795
Unallocated corporate expenses								(10,073)
Finance costs								(52,759)
Fair value change on financial asset at FVTPL								(7,092)
Share of profit of an associate								7,024
Profit before taxation								997,895

Six Months ended 30 June 2020 (Unaudited)

	Polymers	Refrigerants	Organic silicone	Dichloromethane PVC and liquid alkali	Property development	Other operations	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
External sales	1,506,705	1,039,330	1,134,350	604,323	158,063	193,592	–	4,636,363
Inter-segment sales	–	730,053	–	4,582	–	337,092	(1,071,727)	–
Total revenue – segment revenue	1,506,705	1,769,383	1,134,350	608,905	158,063	530,684	(1,071,727)	4,636,363
Segment results	252,427	76,442	91,786	26,670	54,766	30,336	–	532,427
Unallocated corporate expenses								(7,812)
Finance costs								(60,881)
Gain on deemed disposal of a subsidiary								40,850
Fair value change on financial asset at FVTPL								(1,142)
Share of profit of an associate								2,294
Profit before taxation								505,736

Segment results represent the results of each segment without allocation of unallocated other income, certain administrative and other expenses, directors' emoluments, gain on deemed disposal of a subsidiary, fair value change on financial asset at FVTPL, share of result of an associate and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment. No segment information on assets and liabilities is presented as such information is not reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Other income		
Government grants *(note)*	**55,970**	32,998
Bank deposits interest income	**34,972**	29,779
Dividend income	**7,200**	–
Interest income from discounted bills	**1,608**	3,992
Sundry income	**5,873**	7,068
	105,623	73,837
Others net (loss)/gain		
Compensation received	**326**	3,764
Exchange difference	**(9,647)**	7,978
	(9,321)	11,742
	96,302	85,579

Note:

The government grants are mainly for the expenditures on research activities which are recognised as expenses in the period in which they are incurred.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax:		
PRC enterprise income tax ("EIT")		
– Current year	**171,326**	63,933
– Over-provision in prior years	**(7,478)**	(46,960)
Land Appreciation Tax ("LAT")	**16,287**	5,029
	180,135	22,002
Deferred tax:		
– Withholding tax for distributable profits of PRC subsidiaries	**17,598**	15,407
– Others	**5,372**	21,580
	22,970	36,987
Income tax expense	**203,105**	58,989

Notes:

The Company incorporated in the Cayman Islands, is not subject to any income tax pursuant to the rules and regulations of the respective country of incorporation.

No provision for Hong Kong Profits Tax is provided for as the Group did not have estimated assessable profits arising in Hong Kong during the period.

PRC Enterprise Income Tax is calculated at the statutory income tax rate of 25% on the estimated assessable profits of the Company's subsidiaries established in the PRC during the period.

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 RMB17,598,000 (six months ended 30 June 2020: RMB15,407,000) on the undistributed earnings of subsidiaries has been charged to profit or loss for the period.

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) the following items:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Amortisation of intangible assets	**7,858**	6,881
Cost of inventories recognised as an expense	**4,612,560**	3,452,483
Depreciation of property, plant and equipment	**339,660**	314,712
Depreciation of right-of-use assets	**13,492**	12,836
Fair value change on financial asset at FVTPL	**7,092**	1,142
Gain on deemed disposal of a subsidiary	**–**	(40,850)
Government grants	**(55,970)**	(32,998)
Loss on disposal of property, plant and equipment	**15,474**	2,332
Impairment on/(Reversal of) trade and other receivables	**4,305**	(234)
Write-down of inventories	**14,835**	–

7. DIVIDENDS

During the 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, (30 June 2020: a final dividend of HK$0.23 per share amounting to HK$481,205,000 (equivalent to RMB428,035,000) in respect of the year ended 31 December 2019) has been declared and the amount has been paid as at the date of interim report.

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	'000	*'000*
	(unaudited)	(unaudited)
Earnings for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share (RMB)	**603,234**	404,128
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**2,059,164**	2,064,478

During the six months ended 30 June 2021, 1,650,000 ordinary shares with amount of RMB7,052,000 were purchased under employee share option scheme and no shares have been cancelled during the period.

9. TRADE AND OTHER RECEIVABLES

	30 June 2021 *RMB'000* **(unaudited)**	31 December 2020 *RMB'000* (audited)
Trade receivables	**1,345,030**	1,236,340
Less: allowance for doubtful debts	**(4,790)**	(4,112)
	1,340,240	1,232,228
Prepayments for raw materials	**172,005**	132,912
Value added tax receivables	**83,451**	127,575
Prepaid land value increment tax	**16,550**	21,785
Deposit paid for property development	**69,145**	58,217
Receivables from disposal of equity instruments at FVTOCI	**108,000**	42,000
Deposits and other receivables	**144,448**	112,502
	1,933,839	1,727,219

Included in the trade receivables are bills receivable amounting to RMB947,592,000 at 30 June 2021 (31 December 2020: RMB989,825,000).

Include in the bills receivable are amount due from an associate of the Group of approximately RMB4,123,000, as at 30 June 2021.

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

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 90 days	**705,118**	714,383
91-180 days	**632,694**	515,283
181-365 days	**2,428**	2,562
	1,340,240	1,232,228

10. TRADE AND OTHER PAYABLES

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables *(note i)*	**2,150,584**	1,961,700
Contract liabilities – sale of chemical products *(note ii)*	**195,221**	114,962
Contract liabilities – sale of properties *(note iii)*	**1,004,330**	1,438,080
Payroll payable	**291,871**	315,045
Payable for property, plant and equipment	**190,383**	167,886
Other tax payables	**34,272**	40,270
Construction cost payables for properties under development for sale	**37,820**	78,403
Other payables and accruals	**177,006**	136,639
Total	**4,081,487**	4,252,985

Notes:

(i) Included in the trade payables are bills payable amounting to RMB229,700,000 (31 December 2020: RMB298,248,000). Bills payable 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 RMB226,228,000 (31 December 2020: RMB211,800,000) as at 30 June 2021.

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

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 30 days	**1,335,756**	1,023,324
31-90 days	**625,003**	373,493
91-180 days	**53,485**	363,472
181-365 days	**94,654**	143,561
1-2 years	**20,538**	45,726
More than 2 years	**21,148**	12,124
	2,150,584	1,961,700

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Following the gradual improvement of the pandemic in the first half of 2021, the domestic economy has gradually recovered, and the market of the fluorosilicone industry has also significantly improved compared with the corresponding period last year. The Company's management monitors the current situation and seizes every opportunity. While achieving large production and sales volume, the Company has made great efforts in project construction, scientific research and innovation as well as capital operation. The Company has achieved fruitful results with significant growth in operating performance. Burgeoning in the market, the Group drives transformation and upgrades as well as high-quality development on the strength of technological innovation.

1. ***Seizing opportunities for rapid growth from new demand and benefiting greatly from new businesses***

   With the development and advancement of technology, the global market has a looming demand for high-end technological materials, including high-end products in fluorosilicone materials. Benefiting from the rapid growth in demand for application of high-frequency communications, new energy, semiconductors and high-end equipment in recent years, the operating results of the Group's fluoropolymer product segment recorded a significant year-on-year increase during the period under review. In particular, PVDF products are essential for application in production equipment for cathode binders for lithium batteries, lithium battery separators, photovoltaic backplanes, semiconductors, etc. The PVDF products of the Group successfully entered the supply system for leading enterprises in the global new energy industry at the beginning of the year. During the period under review, due to the rapid development of the domestic new energy vehicle and photovoltaic industry, the price of PVDF also rose, which was an important factor in the growth of the Group's performance. The Group will seize opportunities and first-mover advantages to actively expand production capacity and improve quality. Meanwhile, during the period under review, the products of the silicone segment achieved stable and high production with low inventory, the prices of the products continued to remain at a high level and the efficiency reached historical highs especially in recent months, which were also one of the biggest highlights of the growth in the Group's performance.

2. ***Accelerating project construction for key products comprehensively and further enhancing competitive advantages in the entire industry chain***

   Based on the market in recent years, the Group's management believes that a number of products will have a bigger market growth in the future. As such, the Group has decided to increase project construction to expand the production capacity of products with promising market potential. The Group's management has designated this year as "Dongyue Project Construction Year", and has launched the construction of a number of important projects, including projects of fluorinated new materials such as the first phase of 20,000-ton PTFE project and 5,000-ton FEP project. The Group is also expediting the progress of the 300,000-ton organic silicone monomers and 200,000-ton organic silicone downstream deep-processing projects, aiming to put into production in phases by the end of the year and double the production capacity of organic silicone. In terms of ancillary raw materials, the Group has launched the 100,000-ton chloromethane project, 30,000-ton anhydrous fluoride project, etc. In terms of safety and environmental protection, the Group has launched the waste acid recycling projects, wastewater recycling and comprehensive utilization projects. In terms of energy, the Group has completed the acquisition of local power plant projects. Most of the abovementioned projects will be put into operation in the second half of this year or next year. The product scale of these projects will be further expanded by the Group. The Group is also accelerating the procedures for the construction of new planned projects. The procedures for the new 10,000-ton PVDF project and 6,000-ton FKM project have been almost completed and the construction of the projects is expected to start in the second half of the year.

3. Fruitful achievements in R&D

The Group has always focused on the development of fluorosilicone materials. With years of research and development ("R&D") and technology experience, the Group has become a leading domestic enterprise in the field of fluorosilicone material. Many products of the Group have broken the monopoly of foreign technology and realized the localization of high-end materials. In the first half of the year, the Group further increased its R&D efforts. During the period under review, the Group's R&D expenditure amounted to approximately RMB303 million, representing a year-on-year increase of 51.08% and accounted for 4.68% of revenue. As of 30 June, the Group completed 24 new product R&D projects, while 60 projects were in the R&D stage. The newly developed products mainly focus on promising fields such as new energy, high-end communication and high-end equipment. During the period under review, 40 patents were granted to the Group. Currently, the Group's R&D team consists a total of 451 researchers, among which 201 researchers held a master's degree or above. Moreover, six laboratories established by the Group in Beijing, Shanghai, Shenzhen, Japan, Germany and Canada have commenced operation, creating conditions for the Group to further attract high-end technical talents and look for cooperation opportunities with higher education institutes or laboratories.

4. Promising prospect for market development

With the growth of the domestic economy as well as the rapid development of various high-end industries, the market demand for high-end fluorosilicone materials has further increased. Under such circumstances, the Group grasps the pulse of the era by immediately adjusting its sales strategy, increasing sales expansion in the areas of new energy, high-end communication technology and high-end manufacturing industries, among which, lithium battery, photovoltaic, 5G, big data center, high-end equipment manufacturing industries have become the key focus of the Group's sales. The Group has also adjusted its product structure in accordance to such sales objectives. Currently, the Group has well-established cooperative relationship with numerous domestic customers, which not only ensures the growth of the Group's recent performance, but also creates a promising prospect for the Group's future development.

Prospect

The above measures are the implementation of the decisions made by the Group based on the economic and market environment in the first half of the year. The post-pandemic economic era and the economic and technological revolution under the "Dual Carbon Targets" have opened up new challenges and even more new opportunities for the Group. In this regard, the Group has developed the following strategies in view of the situation in the second half of the year and in the next few years:

1. Keeping up with the development trend and driving transformation and upgrades through increasing project construction

Fluorosilicone materials have excellent properties, and has a wide range of applications, high added value and immense potentials. Moreover, under the backdrop of the "Dual Carbon Economy", the development in the field of new energy will also drive the expected market growth of fluorosilicone materials. With improving technologies, the Group believes the market demand for fluorosilicone materials will further increase. The Group will endeavor to promote the construction of relevant projects and strive to commence production and achieve production capacity as soon as possible. Taking into account the development trend of the new energy industry, the expansion of the production capacity of PVDF and battery-level development, the Group remains optimistic about the future application prospects and quality improvement of PVDF products and believes that the entire industry chain of R152a-R142b-VDF-PVDF is a unique advantage of the Group and is therefore determined as one of the key areas of production expansion in the next five years. Therefore, the Group aims to increase the production capacity of PVDF to 55,000 tons and auxiliary raw material R142b to 100,000 tons by 2025 through new construction and technological transformation.

2. Linkage with sales market to determine R&D direction

As an innovative high-tech company, R&D is always of the highest priority of the Group's development, on the other hand the market provides important guidance to the direction of R&D. The development and advancement of technology is inseparable from the support and guarantee of high-performance materials, especially fluorosilicon materials with excellent performance. At present, the Group has formulated a new strategy for sales targeting downstream application areas of high-end materials, and has conducted in-depth and comprehensive cooperation with important downstream customers and leading enterprises to explore a large number of downstream high-end application markets while paying attention to the requirements of materials of downstream enterprises. This helps the Group to solve its current and future problems of material development and import substitution, establish a more stable strategic supply relationship and lock up market share in advance. Also, the Group can form a more comprehensive and higher-end product portfolio and more solid technological and market moats.

3. *Extending the industrial chain through investment*

The Group will develop plans to invest in the four major industry chains of fluorine, silicone, membrane and hydrogen to further expand its business and lay a solid foundation for the Group's sustainable development in the future. The development strategy of "investment + industry" has become the key strategy of the Group. The Group and its subsidiary, Shandong Dongyue Organosilicone Materials Co., Ltd ("Dongyue Organosilicone"), will focus on speeding up their investment in the project on coordination of raw materials for industrial silicone furnace to improve industrial chain, ensure the supply of raw materials and enhance cost control ability.

4. *Constant attention and support to the rapid development of Future Hydrogen Energy*

Shandong Dongyue Future Hydrogen Energy Materials Co., Ltd. ("Future Hydrogen Energy") has applied for listing guidance to the Shandong Securities Regulatory Bureau and other listing procedures are steadily advancing. Future Hydrogen Energy is currently the only enterprise in the PRC and one of the few companies in the world that possesses the technological and industrial foundation of the entire industry chain of intermediate-monomer-resin-proton exchange membranes (hydrogen fuel cell membranes, electrolytic hydrogen production membranes, liquid flow energy storage battery membranes), which has high technological and market barriers as well as great development potential in the future. Under the targets of "Peak Carbon Dioxide Emissions" and "Carbon Neutrality", the hydrogen energy industry will be an important direction for the development of the new energy industry in the future. Future Hydrogen Energy has recently been included in the list of the second batch of national "Little Giant" enterprises supported by the Ministry of Industry and Information Technology of the People's Republic of China. The Group will continue to maintain its position as the largest shareholder of Future Hydrogen Energy.

The Group has stood at the cutting edge of development of the times, which are now steering the Group to the new course of high-tech development. The Group will firmly grasp the opportunities brought by the times and make use of the Group's 34 years of technology accumulation and development experience to open a new chapter of development for the Group. Since late May, some of the Group's major products have been in short supply and prices have surged rapidly. The Group expects to see higher growth momentum in its results in the second half of the year and we will be in the best shape to respond to future development, thereby bringing better returns and repaying investors for their long-term support and trust in the Group.

Financial review

Results Highlights

For the six months ended 30 June 2021, the Group recorded revenue of approximately RMB6,470,878,000, representing an increase of 39.57% over RMB4,636,363,000 of the corresponding period last year. The gross profit margin increased to 26.21% (corresponding period of 2020: 21.71%) and the consolidated segment results margin* was 16.39% (corresponding period of 2020: 11.48%). The operating results margin** was 16.13% (corresponding period of 2020: 12.17%). During the period under review, the Group recorded profit before tax of approximately RMB997,895,000 (corresponding period of 2020: RMB505,736,000), and net profit of approximately RMB794,790,000 (corresponding period of 2020: RMB446,747,000), while the total comprehensive income for the period was approximately RMB705,868,000 (corresponding period of 2020: RMB248,184,000). 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 2021 and the six months ended 30 June 2020:

	For the six months ended 30 June 2021			For the six months ended 30 June 2020		
Reportable and Operating Segments	**Revenue** *RMB'000*	**Results** *RMB'000*	**Segment Results Margin**	Revenue *RMB'000*	Results *RMB'000*	Segment Results Margin
Fluoropolymer	**1,942,387**	**412,574**	**21.24%**	1,506,705	252,427	16.75%
Refrigerants	**1,223,303**	**118,472**	**9.68%**	1,039,330	76,442	7.35%
Organic silicone	**1,610,491**	**417,732**	**25.94%**	1,134,350	91,786	8.09%
Dichloromethane, PVC and Liquid Alkali	**749,218**	**9,332**	**1.25%**	604,323	26,670	4.41%
Property development	**743,382**	**31,429**	**4.23%**	158,063	54,766	34.65%
Others	**202,097**	**71,256**	**35.20%**	193,592	30,336	15.67%
Total	**6,470,878**	**1,060,795**	**16.39%**	4,636,363	532,427	11.48%

Analysis of Revenue and Operating Results

During the period under review, the overall domestic economy was picking up, the condition of the industry market was favorable, and the prices of most of the Group's products began to rise. Following the development of downstream industries, some products were seeing soaring demand and short supply, leading their prices to historic highs. In particular, R142b and PVDF were among the products that had outstanding performances. Under such circumstances, all of the major segments of the Group reported varying degrees of growth in their performance.

Fluoropolymer

During the period under review, the external sales of Fluoropolymer segment was approximately RMB1,942,387,000, representing a year-on-year increase of 28.92% (the first half of 2020: RMB1,506,705,000), accounting for 30.02% (the first half of 2020: 32.50%) of the Group's total external sales. The results of the segment recorded a profit of RMB412,574,000, representing an increase of 63.44% as compared with RMB252,427,000 in the same period of the previous year.

Fluoropolymer segment consists of a large proportion of high-end products. Benefitting from the technological development in China, the downstream demand for fluoropolymer products has been growing in recent years, and the market is booming with continuously rising product prices. Among them, PVDF products from this segment recorded the most remarkable and substantial increase in prices, which were mainly attributable to the rapid growth of the lithium battery and photovoltaic industries, resulting in a surge in demand for PVDF and a price hike. Since the Group possesses a leading edge in the production capacity and technology of PVDF in China, the downstream customers in lithium battery and photovoltaic industries have a higher recognition of the Group's PVDF, which results in its higher competitiveness in the market. Although the price of R142b, a raw material for PVDF, has significantly increased, the Group possesses a complete industrial chain and the R142b required for the production of PVDF is entirely supplied by the Group itself. Therefore, the Group is able to reap all the profits brought by the price hike of PVDF.

The Group relies on the internal supply of R22 for the production of TFE (a fluorocarbon), which is used by the Group for the production of polymers products such as PTFE (a synthetic fluoropolymer with high level of resistance to temperature changes, electrical insulation, and aging and chemical resistant that is used as a coating material and can also be further processed into high-end fine chemicals which can be widely applied in the chemicals, construction, electrical and electronics and automotive industries) and HFP (an important organic fluorochemical monomer, which can be used to produce various fine chemicals). Furthermore, the refrigerants segment of the Group supplied R22 and R142b as the raw materials for the production of a variety of downstream fluoropolymer fine chemicals including FEP (modified materials of PTFE, produced with HFP added in TFE, mainly used in the lining for wire insulation layer, thin-walled tube, heat shrinkable tubes, pumps, valves and pipes), FKM (Fluorine Rubber, a specialized fluorinated material, which is mainly used in the fields of aerospace, automotive, machinery and petro-chemistry because of its superior mechanical property, and 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 possesses domestically leading production capacity in this segment. PTFE, HFP, FEP, FKM and PVDF have a total capacity of 45,000 tons/year, 10,000 tons/year, 5,000 tons/year, 3,000 tons/year, and 10,000 tons/year, respectively.

The Group has a number of production capacity expansion plans for this segment, including the increase in PTFE capacity by 20,000 tons/year to 65,000 tons/year and the increase in FEP capacity by 5,000 tons/year to 10,000 tons/year. In addition, the production capacity expansion plan of PVDF and FKM has also been put on the agenda.

Refrigerants

During the period under review, the refrigerants segment's external sales increased by 17.70% to RMB1,223,303,000 from RMB1,039,330,000 in the previous year, accounting for 18.90% (the first half of 2020: 22.42%) of the Group's total external sales. The results of the segment recorded a profit of RMB118,472,000, representing a year-on-year increase of 54.98% from a profit of RMB76,442,000 in the first half of 2020.

During the first half of the year, the price of products in the refrigerants segment, such as R22, R32 and R410a, remained largely the same as that of last year due to the downstream air-conditioning market. R142b is currently the most promising product of the segment. Apart from being used as a refrigerant, which is subject to quota restriction at the moment, R142b is also used as a raw material for the production of the Group's fluoropolymer product, PVDF. As mentioned above, the strong market demand for PVDF during the period under review led to an equally strong demand for R142b and a significant increase in prices. As such, the price of R142b has increased significantly in terms of its sale as a refrigerant; in terms of its usage as a raw material, the Group can also reap the profit from its price increase due to us possessing an edge in the industrial chain.

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 have 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 our agenda.

Organic Silicone

During the year, the organic silicone segment's external sales increased by 41.97% to RMB1,610,491,000 from RMB1,134,350,000 in the previous year, accounting for 24.89% (the first half of 2020: 24.47%) of the Group's total external sales. The results of the segment recorded a profit of RMB417,732,000, representing an increase of 355.12% from a profit of RMB91,786,000 in the previous year.

The organic silicone segment started to see a gradual improvement in market conditions in the fourth quarter of 2020. During the period under review, the performance of the segment was in a relatively favorable condition, which was mainly attributable to the improved economic situation in China, the increase in downstream market demand, and the instability in market supply, leading to short supply in the market and resulting in higher product price.

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.

Dichloromethane, PVC and Liquid Alkali

During the year under review, the segment's external sales increased by 23.98% to RMB749,218,000 from RMB604,323,000 in the previous year, accounting for 11.58% (the first half of 2020: 13.03%) of the Group's total external sales. The results of the segment recorded a profit of RMB9,332,000, representing a year-on-year decrease of 65.01% (the first half of 2020: profit of RMB26,670,000).

The products of this segment are chemical commodities and their prices fluctuate with market conditions. During the period under review, the product price related to the segment increased slightly, but the product profit from the segment dropped due to a significant increase in the price of raw materials.

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

Property Development

As at the date hereof, this segment includes four property projects, which are located in Huantai County, Zibo City, Shandong Province, Zhangdian District, Zibo City, Shandong Province, Yucheng City, Shandong Province, and Zhangjiajie City, Hunan Province, respectively. The segment's external sales during the year was RMB743,382,000, representing an increase of 370.31% as compared to that in the first half of 2020 (the first half of 2020: RMB158,063,000), accounting for 11.49% of the Group's total external sales. The segment results was RMB31,429,000, representing a decrease of 42.61% as compared with that in the first half of 2020 (the first half of 2020: RMB54,766,000).

Others

During the period under review, the external sales of the segment was RMB202,097,000, representing an increase of 4.39% as compared with RMB193,592,000 in the previous year. The results of the segment recorded a profit of RMB71,256,000 (the first half of 2020: RMB30,336,000), representing a year-on-year increase of 134.89%.

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 12.32% to RMB191,295,000 from RMB170,309,000 of the corresponding period last year, which is attributable to the increase in the sales transportation fees during the period.

Administrative Expenses

During the period, the administrative expenses increased by 25.77% to RMB247,337,000 from RMB196,656,000 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 13.34% to RMB52,759,000 from RMB60,881,000 of the corresponding period last year, which was mainly attributable to decrease in average monthly loan balances of the Group during the period, compared to the corresponding period last year.

Capital Expenditure

For the six months ended 30 June 2021, the Group's aggregate capital expenditure was approximately RMB1,128,374,000 (six months ended 30 June 2020: RMB805,823,000). 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 2021, the Group's total equity amounted to RMB10,886,581,000 representing an increase of 3.38% compared with 31 December 2020. As at 30 June 2021, the Group's bank balances and cash totaled RMB4,310,707,000 (31 December 2020: RMB4,275,728,000). During the period under review, the Group generated a total of RMB1,209,438,000 (six months ended 30 June 2020: RMB1,035,431,000) net cash inflow from its operating activities. The current ratio(1) of the Group as at 30 June 2021 was 1.79 (31 December 2020: 1.73).

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

Capital Structure

During the period, other than as disclosed in the section headed "Employee Option Scheme" in this announcement, 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 2,111,689,455 as at 30 June 2021.

As at 30 June 2021, the borrowings of the Group totaled RMB1,999,954,000 (31 December 2020: RMB1,904,550,000). The gearing ratio(2) of the Group was -26.94% (31 December 2020: -29.06%). The negative gearing ratio as at 30 June 2021 represents the Group is "net cash" positive (i.e. has more cash and cash equivalents than its debt).

Group Structure

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

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

Charge on Assets

As at 30 June 2021, the Group has certain property, plant and equipment and right-of-use assets/lease prepayments with the aggregate carrying amount of approximately RMB4,363,000 (31 December 2020: no related charges on property, plant and equipment) and bank deposits of RMB234,837,000 (31 December 2020: RMB290,788,000), which were pledged for pre-sales housing proceeds subject to regulation, mortgages and credit deposits.

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 5,956 employees in total as at 30 June 2021 (31 December 2020: 5,576). 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 ensure competitiveness.

Interim Dividend

The Board of Directors (the "Board") did not declare the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

OTHER INFORMATION

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

During the current period, other than as disclosed in the section headed "Employee Option Scheme" in this announcement, 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 2021.

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 2021 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, Mr. Yue Rundong (resigned on 11 March 2021) and Mr. Ma Zhizhong (appointed on 11 March 2021), all being independent non-executive Directors.

The Audit Committee, the management of the Company and external auditors had on 19 August 2021 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 2021, 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. Liu Chuanqi (resigned on 11 March 2021), Mr Wang Weidong (appointed on 11 March 2021) and Mr. Zhang Bishu 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, Mr. Yue Rundong (resigned on 11 March 2021) and Mr. Ma Zhizhong (appointed on 11 March 2021) 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 2021, 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, Dongyue Fluorosilicone Science and Technology Group Co., Ltd. (formerly known as Shandong Dongyue Future Enterprise Management Consulting Services Co., Ltd.), a wholly-owned subsidiary of the Company, as the original trustee (the “Original Trustee”) will purchase existing Shares from the market out of cash contributed by the Group of not more than HK$800,000,000 in total at all material times and hold such Shares on trust for the relevant employees or consultants of the Group selected by the Board (the “Selected Employees”). The Board may, from time to time, at its absolute discretion grant to any Selected Employee the right to purchase the relevant Shares (the “Option”). The Selected Employee may, when exercising the Option, elect the number of Shares which he wishes to (i) be transferred and/or (ii) sell and receive the difference, if any, between the sale price of the Shares and the exercise price of the Option.

During the six months ended 30 June 2021, Shares in the amount of RMB7,052,000 (approximately HK$8,496,000) have been purchased by the Original Trustee under the Employee Option Scheme. No Options have been granted under the Employee Option Scheme during the reporting period.

As at 30 June 2021, Shares in the amount of RMB230,589,000 (approximately HK$277,818,000) in total have been purchased and are held by the Original Trustee under the Employee Option Scheme.

Subsequent to the reporting period, the Board has on 9 July 2021 granted 62,570,000 Options to 1,372 Selected Employees at the exercise price of HK$4.27 per Option Share. Further details on the grant of such Options are set out in the Company's announcement dated 9 July 2021. All such Options granted have been exercised and following such grant and exercise of Options, the Original Trustee no longer holds any Shares under the Employee Option Scheme. On 30 August 2021, the Company has appointed Hainan Xiaoyue Tongda Investment Partnership Enterprise (Limited Partnership) (海南曉岳通達投資合夥企業（有限合夥）) as new trustee in accordance with the Employee Option Scheme in replacement of the Original 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 are set out in the Company's announcement dated 27 December 2018.

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 2021.

By Order of the Board
Dongyue Group Limited
Zhang Jianhong
Chairman

The PRC, 30 August 2021

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