DONGYUE FEDERATION

DONGYUE GROUP LIMITED
東岳集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 189)

(1) ANNOUNCEMENT OF ANNUAL RESULTS FOR 2015; (2) CLOSURE OF REGISTER OF MEMBERS AND (3) CONTINUED SUSPENSION OF TRADING

FINANCIAL HIGHLIGHTS
(in RMB million, unless otherwise stated)

	Financial Year ended 31 December	
	2015	2014
Revenue	**7,032**	7,600
Gross Profit	**1,169**	1,216
Gross Profit Margin	**16.62%**	16.00%
(Loss)/Profit before Tax	**(797)**	691
(Loss)/Profit and Total Comprehensive (Loss)/Income	**(681)**	497
(Loss)/Profit and Total Comprehensive (Loss)/Income attributable to the Shareholders	**(690)**	483
Basic (Loss)/Earnings per Share (RMB)	**(0.33)**	0.23
Final Dividend per Share (HK$)	**0.05**	0.09

	As at	
	31 December 2015	31 December 2014
Total Equity	**5,072**	5,898
Net Assets per Share (RMB)	**2.40**	2.78

(1) Announcement of Annual Results for 2015

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

The following is the extract of the independent auditor's report from Elite Partners CPA Limited, the external auditor of Dongyue Group Limited (the "Company") on the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015:

BASIS FOR QUALIFIED OPINION

1. Loans and receivables

(a) Alleged Financial Transactions

As explained in note 6 to the Group's consolidated financial statements, the Board of Directors of the Company have authorised the Independent Committee in February 2016 to investigate into the suspected misappropriation of funds of the Group in relation to (i) wealth management investments of RMB978.2 million; and (ii) two bank deposits with aggregate balance of RMB500 million ((i) and (ii) are collectively referred to as the "Alleged Financial Transactions"). The Directors of the Company have determined that these investments and deposits be fully written off in the consolidated financial statements for the year ended 31 December 2015, with an aggregate loss of RMB1,478.2 million being recognised in the profit or loss for the year ended 31 December 2015. The Group recognised interest income arising from the Alleged Financial Transactions of approximately RMB123.3 million and RMB71.7 million for the years ended 31 December 2014 and 2015.

Due to the complexity and irregular nature of the Alleged Financial Transactions, there had been limitations during our audit, as described below:

We were unable to obtain necessary audit evidence of the Alleged Financial Transactions, including but not limited to the relevant contracts, internal records and board resolution of approval for the wealth management investments and bank deposits. Further, we were unable to obtain direct confirmation or communicate with relevant parties involved in the Alleged Financial Transactions. Accordingly, we were unable to verify as to the nature, existence, validity or contracted terms and conditions of the Alleged Financial Transactions. Furthermore, we were unable to verify the funds flow between the Group, the parties or any suspected parties involved in the Alleged Financial Transactions. Accordingly, we were also unable to verify the nature and validity of the payments involved.

Given the circumstances described above, the scope of our audit work was limited and we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) the nature, existence and validity of the Alleged Financial Transactions; (ii) whether the Alleged Financial Transactions recorded in the consolidated statement of financial position as at 31

December 2015 were appropriate and free from material misstatements; (iii) whether the interest income arising from the Alleged Financial Transactions recorded by the Group of approximately RMB123.3 million and RMB71.7 million for the years ended 31 December 2014 and 2015 respectively were free from material misstatement; (iv) whether and when the RMB978.2 million wealth management investment and RMB500 million bank deposits should be fully written off (i.e. in 2014 or 2015); and (v) whether any related party transactions were involved in the Alleged Financial Transactions and appropriateness of the related disclosure thereof.

(b) Entrusted loans

As disclosed in note 13 to the consolidated financial statements, the Group had entrusted loans of approximately RMB370.0 million and RMB336.3 million recorded in consolidated statement of financial position as at 31 December 2014 and 2015 respectively (the "Entrusted Loans"). During the years ended 31 December 2014 and 2015, the Group recognised interest income arising from the Entrusted Loan of approximately RMB98.3 million and RMB67.5 million. The Entrusted Loans of approximately RMB306.3 million together with its interests were settled and received by the Group subsequent to the financial year end.

For the purpose of our audit, we were unable to obtain necessary audit evidence of the Entrusted Loans, including but not limited to the relevant contracts, internal records and board resolution of approval for the Entrusted Loans. Accordingly, we were unable to verify the funds flow between the Group, the parties involved in the Entrusted Loans, including the explanation and approval of the payments and its related settlements.

Given the circumstances described above, the scope of our audit work was limited and we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves regarding (i) the nature, existence and validity of the Entrusted Loans; (ii) whether the balances of the Entrusted Loans of approximately RMB370.0 million and RMB336.3 million as at 31 December 2014 and 2015 and its interest income of RMB98.3 million and RMB67.5 million arising from the Entrusted Loan for the years ended 31 December 2014 and 2015 respectively were free from material misstatement; (iii) we were unable to verify the funds received by the Group were related to the settlement of the Entrusted Loans; and (iv) we were unable to obtain sufficient audit evidence regarding whether any potential related party transactions were involved in the Entrusted Loans and appropriateness of the related disclosure thereof.

2. Bank balances and cash

As at 31 December 2014 and 2015, included in the Group's bank balances and cash were bank balances placed in the Bank of Communications Company Limited, Qingdao branch (交通銀行股份有限公司青島支行, the "QD BComm Bank") and the Qishang Bank, Huantai Branch (齊商銀行桓台支行, the "Qishang Bank") with amount of approximately RMB664.5 million and RMB29.3 million, respectively (together as referred to the "Banks"). As explained in note 6 to the Group's consolidated financial statements, the Banks were involved in the Alleged Financial Transactions.

For the purpose of our audit, we were unable to carry out effective confirmation procedures to confirm the balances held in the Banks as at 31 December 2014 and 2015 because the Banks had refused to confirm the balances due to the Alleged Financial Transactions that were placed in the court in the PRC.

Given the circumstances described above, the scope of our audit work was limited and we were unable to obtain sufficient appropriate audit evidence in respect of the balances held in the Banks because we were unable to obtain direct confirmation to confirm the balances. There was no alternative audit procedures that we could perform to satisfy ourselves as to whether the Banks were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balances of the Group's bank balances and cash as at 31 December 2015 and 2014, the consequently net loss and cash flows of the Group for the years ended 31 December 2014 and 2015, and the related disclosures thereof in the consolidated financial statements.

Any adjustments that might have been found necessary from any of the above matters may have a significant effect on the Group's consolidated financial position as at 31 December 2014 and 31 December 2015 and of its consolidated financial performance and consolidated cash flows for the years ended 31 December 2014 and 2015, and the related disclosures in the respective consolidated financial statements.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

In our opinion, except for the effects of the matters described in the basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2015 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

REPORT ON MATTERS UNDER SECTION 407(2) AND 407(3) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the matters described in the basis for qualified opinion's paragraph:

– We have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

– We were unable to determine whether proper books of account had been kept.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	4	**7,032,486**	7,599,696
Cost of sales		**(5,863,519)**	(6,383,611)
Gross profit		**1,168,967**	1,216,085
Other income	5	**343,949**	290,501
Distribution and selling expenses		**(251,284)**	(251,209)
Administrative expenses		**(261,116)**	(289,791)
Impairment of intangible assets		**(40,000)**	–
Assets written off	6	**(1,478,200)**	–
Research and development expenses		**(69,797)**	(73,398)
Finance costs	7	**(208,663)**	(201,441)
Share of results of associates		**(573)**	283
(Loss)/profit before tax		**(796,717)**	691,030
Income tax credit/(expense)	8	**115,780**	(194,034)
(Loss)/profit and total comprehensive (expense)/income for the year	9	**(680,937)**	496,996
(Loss)/profit and total comprehensive (expense)/income attributable to:			
– Owners of the Company		**(690,479)**	483,276
– Non-controlling interests		**9,542**	13,720
		(680,937)	496,996
(Loss)/Earnings per share	10		
– Basic (RMB)		**(0.33)**	0.23
– Diluted (RMB)		**(0.33)**	0.23

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment		**4,181,257**	4,456,865
Prepayments for purchase of property, plant and equipment		**281**	28,333
Prepaid lease payments		**469,366**	482,254
Intangible assets		**117,993**	169,110
Interests in associates		**995**	1,822
Available-for-sale investments		**1,195,283**	1,195,283
Deferred tax assets		**453,288**	159,473
Goodwill		**85,894**	85,894
Deposit paid for acquisition of a subsidiary		**165,897**	–
Deposit paid for acquisition of an associate		**7,250**	–
		6,677,504	6,579,034
Current assets			
Inventories		**713,461**	799,861
Properties for sale		**787,429**	804,389
Prepaid lease payments		**13,241**	13,441
Trade and other receivables	*12*	**1,392,153**	1,906,478
Entrusted loans	*13*	**336,300**	370,000
Pledged bank deposits		**113,214**	185,145
Bank balances and cash		**1,467,426**	1,345,212
		4,823,224	5,424,526
Current liabilities			
Trade and other payables	*14(a)*	**2,194,297**	1,972,619
Deposits from pre-sale of properties	*14(b)*	**422,670**	539,550
Borrowings		**1,831,754**	1,390,437
Tax liabilities		**49,067**	14,716
Deferred income		**28,755**	10,623
		4,526,543	3,927,945
Net current assets		**296,681**	1,496,581
Total assets less current liabilities		**6,974,185**	8,075,615

	2015	2014
	RMB'000	*RMB'000*
Capital and reserves		
Share capital	**200,540**	200,922
Reserves	**4,600,999**	5,439,885
Equity attributable to the owners of the Company	**4,801,539**	5,640,807
Non-controlling interests	**270,836**	256,997
Total equity	**5,072,375**	5,897,804
Non-current liabilities		
Deferred income	**264,051**	234,422
Deferred tax liabilities	**50,147**	57,302
Borrowings	**1,587,612**	1,886,087
	1,901,810	2,177,811
	6,974,185	8,075,615

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company									
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Share option reserve** *RMB'000*	**Merger reserve** *RMB'000* *(Note (a))*	**Capital reserve** *RMB'000* *(Note (b))*	**Statutory surplus reserve** *RMB'000* *(Note (c))*	**Retained earnings** *RMB'000*	**Sub-total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
Balance at 1 January 2014	201,013	1,236,038	345,787	(32,210)	101,098	699,065	2,716,058	5,266,849	243,979	5,510,828
Profit and total comprehensive income for the year	–	–	–	–	–	–	483,276	483,276	13,720	496,996
Transfer	–	–	–	–	–	17,252	(17,252)	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	1,400	1,400
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(2,102)	(2,102)
Dividends paid *(note 11)*	–	–	–	–	–	–	(143,315)	(143,315)	–	(143,315)
Recognition of equity-settled Shared-based payments	–	–	36,532	–	–	–	–	36,532	–	36,532
Shares repurchased and cancelled	(91)	(2,444)	–	–	–	–	–	(2,535)	–	(2,535)
Balance at 31 December 2014	**200,922**	**1,233,594**	**382,319**	**(32,210)**	**101,098**	**716,317**	**3,038,767**	**5,640,807**	**256,997**	**5,897,804**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(690,479)**	**(690,479)**	**9,542**	**(680,937)**
Transfer	**–**	**–**	**–**	**–**	**618**	**21,565**	**(21,565)**	**618**	**115**	**733**
Capital contribution from non-controlling interests	**–**	**–**	**–**	**–**	**(182)**	**–**	**–**	**(182)**	**4,182**	**4,000**
Dividends paid *(note 11)*	**–**	**–**	**–**	**–**	**–**	**–**	**(151,746)**	**(151,746)**	**–**	**(151,746)**
Recognition of equity-settled Shared-based payments	**–**	**–**	**9,525**	**–**	**–**	**–**	**–**	**9,525**	**–**	**9,525**
Shares repurchased and cancelled	**(382)**	**(6,622)**	**–**	**–**	**–**	**–**	**–**	**(7,004)**	**–**	**(7,004)**
Balance at 31 December 2015	**200,540**	**1,226,972**	**391,844**	**(32,210)**	**101,534**	**737,882**	**2,174,977**	**4,801,539**	**270,836**	**5,072,375**

Notes:

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

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

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015	2014
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
(Loss)/profit before tax	**(796,717)**	691,030
Adjustments for:		
Finance costs	**208,663**	201,441
Interest income	**(144,162)**	(233,787)
Realisation of deferred income	**(24,826)**	(23,266)
Recognition of impairment on trade receivables	**(900)**	(139)
Depreciation and amortisation	**691,538**	688,950
Release of prepaid lease payments	**13,088**	12,952
Equity-settled share-based payment expenses	**9,525**	36,532
Write-down of inventories	**9,458**	15,253
Share of results of associates	**573**	(283)
Dividend income from available-for-sale investments	**(117,037)**	(2,535)
Gain on disposal of an associate	**–**	(36)
Loss on disposals of property, plant and equipment	**8,252**	26,733
Impairment of intangible assets	**40,000**	–
Impairment of property, plant and equipment	**740**	–
Written off of property, plant and equipment	**5,047**	–
Assets written off	**1,478,200**	–
Operating cash flows before movements in working capital	**1,381,442**	1,412,845
Decrease/(increase) in inventories	**76,942**	(115,060)
Increase in trade and other receivables	**(960,899)**	(698,100)
Decrease/(increase) in properties under development for sale	**16,960**	(161,435)
Increase in trade and other payables	**221,678**	354,498
(Decrease)/increase in deposits from pre-sale of properties	**(116,880)**	100,766
Increase in deferred income	**72,587**	9,137
Cash generated from operations	**691,830**	902,651
Income taxes and withholding tax paid	**(150,839)**	(181,938)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**540,991**	720,713

	2015	2014
	RMB'000	*RMB'000*
INVESTING ACTIVITIES		
Entrusted loans to third parties	**(1,903,000)**	(1,078,500)
Purchase of available-for-sale investments	**–**	(1,000,000)
Purchase of property, plant and equipment	**(394,455)**	(635,218)
Placement of pledged bank deposits	**–**	(269,150)
Payment for prepaid land lease	**–**	(4,357)
Purchase of intangible assets	**–**	(1,254)
Repayment of entrusted loans from third parties	**1,936,700**	1,133,500
Interest received	**144,162**	233,787
Proceeds from release of pledged bank deposits	**71,931**	190,325
Proceeds from disposal of an associate	**–**	15,089
Repayment from non-controlling shareholders of subsidiaries	**–**	10,000
Proceeds from disposals of property, plant and equipment	**3,655**	3,142
Dividend income from available-for-sale investments	**117,037**	2,535
Dividends received from associates	**254**	446
Deposit paid for acquisition of a subsidiary	**(165,897)**	–
Deposit paid for acquisition of associate	**(7,250)**	–
NET CASH USED IN INVESTING ACTIVITIES	**(196,863)**	(1,399,655)
FINANCING ACTIVITIES		
Proceeds from borrowings	**2,090,585**	2,846,240
Repayment of borrowings	**(1,947,743)**	(1,722,280)
Interest paid	**(210,188)**	(196,550)
Dividends paid	**(151,746)**	(143,315)
Shares repurchased and cancelled	**(7,004)**	(2,535)
Dividends paid to non-controlling interests	**–**	(2,102)
Capital contribution from non-controlling interests	**4,182**	1,400
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	**(221,914)**	780,858
NET INCREASE IN CASH AND CASH EQUIVALENTS	**122,214**	101,916
CASH AND CASH EQUIVALENT AT BEGINNING OF THE YEAR	**1,345,212**	1,243,296
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
represented by:		
Bank balances and cash	**1,467,426**	1,345,212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Dongyue Group Limited (the "Company") was incorporated in the Cayman Islands on 24 July 2006 as an exempted company with limited liability. The address of its registered office is Scotia Centre, 4th Floor, P. O. Box 2804, George Town, Grand Cayman, Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 10 December 2007.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacture, distribution and sale of refrigerants, polymers, organic silicone and dichloromethane, polyvinyl chloride ("PVC") and liquid alkali and others. In addition, the Group is also engaged in property development in the PRC.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and its subsidiaries.

2. SIGNIFICANT ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB"). In addition, the consolidated financial statements include applicable disclosures required by The Rules Governing the Listing of Securities on the HKSE and by the Hong Kong Companies Ordinance.

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

In the application of the Group's accounting policies, the Directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

Amendments to IFRSs and a new interpretation that are mandatorily effective for the current year ended 31 December 2015

In the current year, the Group has applied for the first time in the current year the following amendments and a new interpretation to International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

- Amendments to IAS 19, Employee benefits: Defined benefit plans: Employee contributions
- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2013 Cycle

The application of the amendments to IFRSs and the interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

In addition, the Company has adopted the amendments to the Listing Rules issued by The Stock Exchange of Hong Kong Limited relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the consolidated financial statements is on the presentation and disclosure of certain information in the consolidated financial statements.

New and revised standards, interpretations and amendments issued but not yet effective

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[3]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to IAS 1	Disclosure Initiative[4]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[4]
Amendments to IAS 7	Disclosure Initiative[2]
Amendments to IAS 12	Recognition of Deferred Tax Assets for unrealised Losses[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle[6]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2017
[3] Effective for annual periods beginning on or after 1 January 2019
[4] Effective for annual periods beginning on or after 1 January 2016
[5] Effective for annual periods beginning on or after a date to be determined
[6] Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

The Directors anticipate that the application of the new and revised IFRSs, other than those set out below, will have no material impact on the consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors anticipate that the adoption of IFRS 9 in the future may have impact on amounts reported in respect of the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised costs. Presently, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Directors are in the process of reviewing the effect of the application of IFRS 15 on the amounts reported and disclosures made in the Group's consolidated financial statements.

IFRS 16 Leases

IFRS 16, which upon the effective date will supersede IAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Directors is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16. Given the nature of the Group's operations, it is expected to have impacts on the Group's consolidated financial statements. The Directors has not completed its assessment of the full impact of adopting IFRS 16 and therefore the possible impacts on the Group's operating results and financial position have not been quantified.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of goods and properties.

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:

- Refrigerants;
- Polymers;
- Organic silicone;
- Dichloromethane, PVC and liquid alkali;
- Property development – development of residential properties at Shandong 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.

2015

	Refrigerants *RMB'000*	**Polymers** *RMB'000*	**Organic Silicone** *RMB'000*	**Dichloromethane PVC and liquid alkali** *RMB'000*	**Property development** *RMB'000*	**Reportable segments' total** *RMB'000*	**Other operations** *RMB'000*	**Eliminations** *RMB'000*	**Total** *RMB'000*
External sales	**1,867,578**	**1,952,624**	**1,443,021**	**977,928**	**619,233**	**6,860,384**	**172,102**	**–**	**7,032,486**
Inter-segment sales	**993,860**	**–**	**333**	**3,718**	**–**	**997,911**	**517,857**	**(1,515,768)**	**–**
Total revenue – segment revenue	**2,861,438**	**1,952,624**	**1,443,354**	**981,646**	**619,233**	**7,858,295**	**689,959**	**(1,515,768)**	**7,032,486**
SEGMENT RESULTS	**372,158**	**181,247**	**(28,873)**	**54,046**	**200,133**	**778,711**	**18,138**	**–**	**796,849**
Unallocated corporate expenses									**(23,174)**
Unallocated other income									**117,044**
Assets written off									**(1,478,200)**
Finance costs									**(208,663)**
Share of results of associates									**(573)**
Loss before tax									**(796,717)**

2014

	Refrigerants *RMB'000*	Polymers *RMB'000*	Organic Silicone *RMB'000*	Dichloromethane PVC and liquid alkali *RMB'000*	Property development *RMB'000*	Reportable segments' total *RMB'000*	Other operations *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
External sales	2,062,621	2,152,054	1,509,324	1,190,536	525,087	7,439,622	160,074	–	7,599,696
Inter-segment sales	1,166,126	–	4,790	4,545	–	1,175,461	512,366	(1,687,827)	–
Total revenue – segment revenue	3,228,747	2,152,054	1,514,114	1,195,081	525,087	8,615,083	672,440	(1,687,827)	7,599,696
SEGMENT RESULTS	367,230	364,213	(31,805)	62,944	145,955	908,537	20,784	–	929,321
Unallocated corporate expenses									(39.668)
Unallocated other income									2,535
Finance costs									(201,441)
Share of results of associates									283
Profit before tax									691,030

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

Inter-segment sales are charged at prevailing market rates.

Entity-wide disclosures

Information about revenue from refrigerants segment by products from external customers

	2015	2014
	RMB'000	*RMB'000*
Monochlorodifluoromethane (HCFC-22)	**590,967**	1,064,832
Tetrafluoroethane (R134a)	**153,279**	92,435
Pentafluoroethane (R125)	**34,701**	71,092
R439A	**417**	5
R410a	**271,373**	264,628
R413A	**35,972**	37,913
R142b	**43,107**	32,203
R152a	**113,654**	95,350
R22	**287,233**	–
R32	**165,127**	106,576
Others	**171,748**	297,587
	1,867,578	2,062,621

Information about revenue from polymers segment by products from external customers

	2015	2014
	RMB'000	*RMB'000*
Polytetrafluoroethylene (PTFE)	**1,045,205**	1,147,855
Hexafluoropropylene (HFP)	**253,861**	280,537
Perfluorocyclobutane	**49,922**	46,568
Fluorinated ethylene propylene (FEP)	**22,558**	243,421
Polyvinylidene fluoride (PVDF)	**259,464**	239,341
Fluorine rubber (FKM)	**87,728**	80,357
Vinylidene fluoride (VDF)	**18,055**	21,253
Others	**215,831**	92,722
	1,952,624	2,152,054

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

	2015	2014
	RMB'000	*RMB'000*
DMC (Dimethylcyclosiloxane)	**348,683**	381,883
107 Silicone Rubber	**426,173**	475,402
Raw Vulcanizate	**164,162**	155,511
D3 (Hexamethylcyclotrisiloxane)	**–**	7,191
Gross Rubber	**48,285**	58,742
Gaseous Silica	**107,679**	74,668
DMC Hydrolysate	**79,874**	70,422
Trimethylchlorosilane	**42,613**	29,127
Methyldichlorosilane	**1,781**	6,979
Ganister sand	**–**	24,696
DMC Lineament	**96,567**	67,900
D4 (Octamethyl Cyclotetrasiloxane)	**42,578**	33,332
Others	**84,626**	123,471
	1,443,021	1,509,324

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

	2015	2014
	RMB'000	*RMB'000*
PVC	**441,405**	600,153
Dichloromethane	**180,278**	240,368
Liquid alkali	**356,245**	350,015
	977,928	1,190,536

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

	2015	2014
	RMB'000	*RMB'000*
AHF (Anhydrous Fluoride)	**736**	12,091
Ammonium Bifluoride	**52,792**	52,033
Hydrofluoric Acid	**28,202**	25,474
Bromine	**52,120**	41,045
Others	**38,252**	29,431
	172,102	160,074

Information about major customers

There was no revenue from a single customer that contributed over 10% of the total sales of the Group during each of the two years ended 31 December 2015.

Geographical information

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

	2015	2014
	RMB'000	*RMB'000*
PRC	**5,576,179**	5,937,784
Asia (except PRC)		
– Japan	**277,798**	358,929
– South korea	**251,631**	260,211
– India	**28,097**	39,292
– Singapore	**19,378**	31,525
– Thailand	**45,522**	44,735
– United Arab Emirates	**54,516**	82,652
– Pakistan	**18,523**	21,018
– Malaysia	**27,526**	22,822
– Philippines	**8,013**	11,736
– Viet Nam	**17,512**	14,593
– Turkey	**36,381**	18,909
– Other countries	**62,548**	120,004
Subtotal	**847,445**	1,026,426
America		
– United States of America	**285,018**	246,732
– Brazil	**70,331**	85,090
– Other countries	**19,101**	7,983
Subtotal	**374,450**	339,805

	2015	2014
	RMB'000	*RMB'000*
Europe		
– Italy	**99,465**	145,542
– England	**3,591**	3,370
– Russia	**25,732**	35,355
– Germany	**31,712**	25,942
– France	**4,493**	10,487
– Other countries	**8,621**	16,030
Subtotal	**173,614**	236,726
Africa		
– South Africa	**20,354**	15,953
– Egypt	**6,408**	4,557
– Nigeria	**16,263**	15,509
– Other countries	**11,030**	–
Subtotal	**54,055**	36,019
Other countries/regions	**6,743**	22,936
	7,032,486	7,599,696

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

Other segment information

	Refrigerants	Polymers	Organic Silicone	Dichloromethane PVC and liquid alkali	Property development	Reportable and operating segment total	Other operations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2015								
Depreciation of property, plant and equipment	222,551	183,797	134,641	105,566	-	646,555	33,866	680,421
Amortisation of intangible assets	412	10,318	126	230	-	11,086	31	11,117
(Reversal)/Recognition of impairment on trade receivables	(299)	(668)	159	(109)	-	(917)	17	(900)
Research and development costs recognised as an expense	2,475	63,986	2,209	583	-	69,253	544	69,797
Write-down of inventories	5,107	842	387	2,979	-	9,315	143	9,458
Loss on disposals of property, plant and equipment	4,865	1,971	345	870	-	8,051	201	8,252
Release of prepaid lease Payments	2,817	4,339	3,147	1,116	-	11,419	1,669	13,088
Impairment of intangible assets	-	-	-	-	-	-	40,000	40,000
Impairment of property, plant and equipment	-	-	-	-	-	-	740	740

	Refrigerants *RMB'000*	Polymers *RMB'000*	Organic Silicone *RMB'000*	Dichloromethane PVC and liquid alkali *RMB'000*	Property development *RMB'000*	Reportable and operating segment total *RMB'000*	Other operations *RMB'000*	Total *RMB'000*
2014								
Depreciation of property, plant and equipment	197,382	205,940	144,434	113,928	563	662,247	15,318	677,565
Amortisation of intangible assets	337	10,705	126	201	–	11,369	16	11,385
(Reversal) recognition of impairment on trade receivables	(166)	82	(55)	–	–	(139)	–	(139)
Research and development costs recognised as an expense	4,525	65,414	1,926	1,017	–	72,882	516	73,398
Write-down of inventories	9,746	2,939	2,568	–	–	15,253	–	15,253
Loss (gain) on disposals of property, plant and equipment	18,728	2,430	(14)	2,990	–	24,134	2,599	26,733
Release of prepaid lease Payments	2,994	5,102	3,147	1,069	129	12,441	511	12,952

5. OTHER INCOME

	2015 *RMB'000*	2014 *RMB'000*
Government grants		
– Related to expense items *(Note a)*	**23,678**	10,521
– Related to assets	**24,826**	23,266
Bank deposits interest income	**4,396**	10,484
Interest income on wealth management contracts	**71,709**	123,281
Interest income on entrusted loans	**67,466**	98,335
Dividend income from available-for-sale investments	**117,037**	2,535
Gain on disposal of an associate	**–**	36
Others	**34,837**	22,043
	343,949	290,501

Notes:

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

6. ASSETS WRITTEN OFF

As explained in the Company's announcement dated 30 September 2016, the Board of Directors of the Company have authorised the Independent Committee in February 2016 to investigate into the suspect misappropriation of funds of the Group in relation to (i) wealth management investments of RMB978.2 million (being the net balance of approximately RMB1,249.2 million and RMB271 million due from and due to the investee companies for the wealth management investments as at 31 December 2015 respectively) and (ii) 2 bank deposits with aggregate amount of RMB500 million ((i) and (ii) are collectively referred to as the "Alleged Financial Transactions"). As disclosed in the Company's announcement dated 31 March 2016, PricewaterhouseCoopers Management Consulting (Shanghai) Limited (the "Independent Forensic Expert") was engaged by the Independent Committee to perform a review on the Alleged Financial Transactions (the "Review") which has been completed. The Independent Forensic Expert has issued a forensic review report to the Independent Committee in September 2016. A summary of the findings of the Review was disclosed in the Company's announcement dated 30 September 2016.

With regard to the net balances of the wealth management investments of RMB978.2 million, according to the Review, a balance totalling RMB978.2 million as of 31 December 2015 which were recorded under the line item "other receivables" as at 31 December 2014 was due from a group of 9 companies (collectively referred to as the "MC Companies") to 2 subsidiaries of the Group (the "2 Subsidiaries"), namely Shandong Dongyue Chemicals Co., Limited and Shandong Dongyue Polymers Co., Limited, through a local bank in Zibo City, Qishang Bank, Huantai branch, in the PRC. The entire balance of RMB978.2 million remained outstanding as at 31 December 2015 and up to the date of authorisation for issue of the Company's consolidated financial statements for the year ended 31 December 2015. The Group recognised interest of RMB71.7 million arising from the wealth management investments for the year ended 31 December 2015 (2014: RMB123.3 million). There were approximately RMB2,684.1 million and RMB828.2 million of wealth management contracts being invested by the Group during the year ended 31 December 2014 and 2015 respectively.

With regard to the 2 bank deposits with aggregate amount of RMB500 million placed by the 2 Subsidiaries in Bank of Communications Company Limited, Qingdao branch, the PRC, the Company was informed in November 2015, upon enquiries with the bank, that the balance of the 2 deposits had become zero. According to the Review, the deposits were placed with a bank in the PRC as security deposits lending the same amount of loans to 2 of the MC Companies which subsequently defaulted on repayment of the entire RMB500 million loans due to the bank and as a result, the RMB500 million security deposits placed by the Group with the bank were forfeited by the bank.

The aggregated amount of RMB1,478.2 million were fully written off during the year ended 31 December 2015 (2014: Nil).

The above-mentioned Alleged Financial Transactions are considered by the Directors of the Company as suspected unauthorised use or potential misappropriation of funds made by certain former employees of the Group.

7. FINANCE COSTS

	2015 *RMB'000*	2014 *RMB'000*
Interest on:		
Bank loans wholly repayable within five years	**203,655**	202,025
Other borrowings repayable within five years	**6,533**	4,286
Total borrowings costs	**210,188**	206,311
Less: Amounts capitalised in property, plant and equipment	**(1,525)**	(4,870)
	208,663	201,441

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a weighted average capitalisation rate of 6.22% (2014: 6.49%) per annum to expenditure on qualifying assets.

8. INCOME TAX CREDIT/(EXPENSE)

	2015 *RMB'000*	2014 *RMB'000*
PRC enterprise income tax ("EIT")		
– Current year	**185,576**	149,647
– (Under)/over provision in prior years	**(9,592)**	5,609
Land appreciation tax ("LAT")	**27,330**	8,587
	203,314	163,843
Deferred tax (credit)/charge		
– Withholding tax for distributable profits of PRC subsidiaries	**–**	15,371
– Others	**(319,094)**	14,820
	(319,094)	30,191
Total income tax (credit)/expense	**(115,780)**	194,034

9. (LOSS)/PROFIT AND TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR

(Loss)/profit and total comprehensive (expense)/income for the year has been arrived at after charging/(crediting) the following items:

	2015	2014
	RMB'000	*RMB'000*
Short-term employee benefits	**405,205**	407,878
Discretionary bonus *(Note)*	**–**	4,970
Post-employment benefits	**98,653**	79,169
Equity-settled share-based payment expense	**9,524**	36,532
Other staff welfare	**25,044**	28,885
Total staff costs	**538,426**	557,434
Cost of inventories recognised as an expense	**5,172,491**	5,772,058
Depreciation of property, plant and equipment	**680,421**	677,565
Amortisation of intangible assets (included in cost of sales)	**11,117**	11,385
Auditor's remuneration	**2,603**	3,215
Net foreign exchange gains	**(11,188)**	(2,745)
Reversal of impairment on trade receivables	**(900)**	(139)
Impairment of wealth management contract	**1,478,200**	–
Research and development costs recognised as an expense	**69,797**	73,398
Write-down of inventories (included in cost of sales)	**9,458**	15,253
Release of prepaid lease payments	**13,088**	12,952
Loss on disposals of property, plant and equipment	**8,252**	26,733
Impairment of intangible assets	**40,000**	–
Impairment of property, plant and equipment	**740**	–

Notes: Directors' emoluments are included in the above staff costs.

The actual discretionary bonus paid was RMB10,243,000 (2014: RMB11,073,000).

10. (LOSS)/EARNINGS PER SHARE

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

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
	(Audited)	(Audited)
(Loss)/Earnings for the year attributable to owners of the Company for the purposes of basic and diluted (loss)/earnings per share	**(690,479)**	483,276
	('000)	*('000)*
Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share	**2,116,050**	2,118,246

The computation of diluted (loss)/earnings per share for the years ended 31 December 2015 and 2014 does not assume the exercise of all of the Company's outstanding share options as the exercise prices of those options are higher than the average market price of the shares.

11. DIVIDENDS

	2015	2014
	RMB'000	*RMB'000*
Dividends paid during the year: 2014 final dividend: HK$0.09 (2014: 2013 final dividend: HK$0.085) per share	**151,746**	143,315

A final dividend HK$0.05 per share (2014: HK$0.09 per share), amounting to HK$105,584,000 (2014: HK$190,635,000) in respect of the year ended 31 December 2015, equivalent to RMB93,437,000 (2014: RMB151,746,000) has been proposed by the directors and is subject to approval by the shareholders in general meeting.

12. TRADE AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables *(Note i)*	**1,296,531**	831,551
Less: allowance for doubtful debts	**(2,918)**	(3,818)
	1,293,613	827,733
Prepayments for raw materials	**23,313**	36,176
Value added tax receivables	**7,757**	13,696
Prepaid taxes arising from pre-sale of properties	**19,445**	39,588
Wealth management contracts *(Note ii)*	**–**	955,000
Amount due from associates	**2,107**	2,582
Deposits and other receivables	**45,918**	31,703
	1,392,153	1,906,478

Note:

(i) Included in the trade receivables are bills receivable amounting to RMB1,072,350,000 at 31 December 2015 (2014: RMB584,006,000).

Customers are generally granted with credit period of less than 90 days for trade receivables. Bills receivables are generally due in 90 days or 180 days. The following is an aging analysis of trade 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.

	2015	2014
	RMB'000	*RMB'000*
Within 90 days	**490,307**	569,267
91-180 days	**784,301**	250,277
Above 180 days	**19,005**	8,189
	1,293,613	827,733

Before accepting any new customer, the Group conducts research on the creditworthiness of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. 99% (2014: 99%) of the trade receivables that are neither past due nor impaired have the high ranking record attributable under the research on the creditworthiness. The Group offers various settlement terms which vary depending on the size of contract, credibility and reputation of the customers.

Included in the Group's trade receivable balance are debtors with the aggregate carrying amount of RMB39,420,000 (2014: RMB27,340,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral or credit enhancements over these balances.

	2015	2014
	RMB'000	*RMB'000*
91-180 days	**20,415**	19,151
181-365 days	**19,005**	8,189
	39,420	27,340

Allowance of the above amount has not been made by the Group as there has not been a significant change in the credit quality and the amounts are still considered recoverable. The directors of the Company consider they are in good credit quality.

Movement in the allowance for doubtful debts

	2015	2014
	RMB'000	*RMB'000*
Balance at beginning of the year	**3,818**	6,169
Reversal of impairment on trade receivables	**(900)**	(139)
Amounts written off as uncollectible	**–**	(2,212)
Balance at end of the year	**2,918**	3,818

The above allowance represents impairment for trade receivables which are considered not recoverable.

The Group's account receivables that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	US$ *'000*	RMB *'000*
As at 31 December 2015	16,136	104,781
As at 31 December 2014	17,210	105,308

Advance to a non-controlling shareholder of a subsidiary was unsecured, charged at interest rate of 2% per month and fully repaid during the year ended 31 December 2015.

Amount due from associates were unsecured, interest-free and repayable on demand.

(ii) As at 31 December 2015, approximately RMB978.2 million were wealth management contracts (2014: RMB955 million). As disclosed in note 6 to the consolidated financial statements, the amount were fully written off during the year ended 31 December 2015 (2014: Nil).

13. ENTRUSTED LOANS

	2015 ***RMB'000***	2014 *RMB'000*
Entrusted loans	**336,300**	370,000

During the year ended 31 December 2015, the Group had placed entrusted loans of approximately RMB1,903 million (2014: RMB2,450.3 million). As at 31 December 2015, the balances of entrusted loans were approximately RMB336.3 million (2014: RMB370 million). Amount of approximately RMB306.3 million of the entrusted loans had been settled subsequent to the financial year end. In the opinion of the Group, the remaining balance of RMB30 million can be fully recovered.

14. TRADE AND OTHER PAYABLES

(a) Trade and other payables

	2015 ***RMB'000***	2014 *RMB'000*
Trade payables	**1,358,497**	1,255,355
Receipt in advance from customers	**69,920**	74,741
Payroll payable *(Note i)*	**143,950**	185,426
Payable for property, plant and equipment *(Note ii)*	**244,238**	108,798
Other tax payables	**30,173**	32,323
Other deposits in relation to property development project	**58,000**	58,000
Construction cost payables for properties under development for sale	**–**	191,121
Other payables and accruals *(note iii)*	**289,519**	66,855
Total	**2,194,297**	1,972,619

Notes:

(i) As at 31 December 2015, included in the payroll payable is a provision for social insurance fund for employees of the PRC subsidiaries amounting to RMB46,370,000 (2014: RMB62,631,000). The amount of the provision represents the Group's entire obligation for social insurance fund for employees of PRC subsidiaries and is determined based on the relevant national regulations on social insurance and calculated based on the basic counting unit multiplied by the social insurance rate. The basic counting unit for social insurance shall be the average wages of an employee in the preceding year and shall not be less than the minimum limit promulgated by the local social insurance bureau each year.

(ii) The payable for acquisition of property, plant and equipment will be settled three months after the completion of installation of the plant and machinery which is recorded in the addition of construction in progress during the year.

(iii) Included in other payable and accruals, is an amount of RMB100,000,000 due to a company, which the director of the Company is a former shareholder.

Included in the trade payables are bills payable amounting to RMB508,319,000 (2014: RMB698,855,000). Bills payable are secured by the Group's pledged bank deposits.

The average credit period on purchase of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

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

	2015	2014
	RMB'000	*RMB'000*
Within 30 days	**472,159**	321,912
31-90 days	**306,426**	481,385
91-180 days	**309,855**	399,077
181-365 days	**250,316**	38,301
1-2 years	**9,162**	9,337
More than 2 years	**10,579**	5,343
	1,358,497	1,255,355

Included in the trade payables is trade payables to two non-controlling shareholders of two subsidiaries amounting to 3,459,000 (31 December 2014: RMB4,390,000) which are aged within 30 days. The general credit period given by them is three to six months. The construction cost payables for properties under development for sale are aged within 90 days.

The Group's trade and other payables that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	US$	**RMB**
	'000	***'000***
As at 31 December 2015	3,198	20,755
As at 31 December 2014	8,696	53,213

(b) Deposits received from pre-sale of properties

	2015	2014
	RMB'000	*RMB'000*
Deposits received from pre-sale of properties *(Note)*	**422,670**	539,550

Note: The amount represents the receipt in advance from customers arising from the pre-sale of properties in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

China's economy was still in the adjustment stage in 2015, during which the proportion of the secondary industry gradually declined and the contribution of the tertiary industry to GDP increased gradually. In this year, China's overall economic growth slowed down, and the year-on-year GDP growth was only 6.9%, its lowest since 1990. Affected by the overall economic situation, the overall demand of the fluorine and silicon industry declined. As the markets of each product in the fluorine and silicon industry were slowly entering the mature period, the competition in the industry intensified, which resulted in the price decline and profit squeeze. In the face of such a severe test, the management team of Dongyue Group Limited (the "Company" or "Dongyue", together with its subsidiaries, the "Group") still adhered to taking "learning from Formosa Plastics" as the direction, developing "automation" and "information technology", grasping the market demand and improving the service, so that the Group achieved further development in the adverse circumstance, realized the annual goals and achieved valuable results.

1. Grow with outstanding achievements in the adverse circumstance

In 2015, the Group maintained its gross margin growth in the current broad environment and became a leading enterprise in the industry, laying a solid foundation for the Group to live through the adjustment period and transition period. The increase in gross profit margin in the year greatly reflected the Group's strength, industry position, and market share and greatly raised the Group's reputation and influence in the industry, which provided the basis for the future strategic implementation of the Group.

2. Adhere to research and development and independent innovation

In 2015, the Group had a total of 48 technical transformation projects, 21 new products (including DF-204S, DF-206 and other new products), 31 patent applications and 39 patent authorizations.

The State Key Laboratory of Fluorinated Functional Membrane Materials of the Group was approved, which became the only state-level key laboratory in domestic industry and the first state-level key laboratory in Zibo City. Dongyue research team became a "national team". In addition, the Company was recognized as the National Fluoride Functional Materials International Cooperation Demonstration Base. Dr. Zhang Yongming was awarded the "Meritorious Character Award in 20 years of China Film Industry". Dr. Tang Junke was selected into the list of "Taishan Industry Leader" by the Provincial Science and Technology Department. The Group's technological innovation advantages were more obvious.

In 2015, with a focus on the "two alternatives" and catching up with the world's advanced level, the Group's technology departments developed 21 new products and new varieties, such as modified suspension resin DF-161, modified dispersion resin DF-2048 and 2049, high-speed extrusion FEP, PVDF for solar backplane membrane, extinction type white carbon black, and phenyl vinyl silicone oil, which were successfully brought to the market. Part of these products were mainly the alternatives for the products of international advanced enterprises, breaking the product monopoly brought by these enterprises and enabling the Group to become the pioneer in the domestic production of important market-demanded materials.

3. "Learning from Formosa Plastics" achieved important results

The year 2015 is an important year for "learning from Formosa Plastics". This year, Dongyue improved its level of information technology and automation, and optimized its post setting and staffing through the implementation of "learning from Formosa Plastics". Moreover, our branch companies established the Maintenance Center and DCS Instrument Center. The measures played an important role in improving the production efficiency and ensuring the product quality of the Group.

4. People-oriented and attaching importance to talents

In 2015, the Group increased the introduction and cultivation of talents, laying a solid foundation for the future development of the Group. Externally, the Group established a cooperative relationship with a number of tertiary institutions, and adopted the policy of "not seeking to own but seeking to use" to introduce talents by means of "equity, option, reward and commission". Internally, the Group formulated the company's assessment guidance and the Group's position promotion measures for cadres and employees, effectively combined the enterprises development with the employees' career design, established a promotion channel for all employees, and improved their income and treatment. The Group gave care, security and respect to employees through measures such as separating the staff from the devices by merging the central control room and the inspection room together, as well as renovating and enhancing the washrooms in the plant. At the end of 2015, the Group implemented the assessment mechanism to let the talents stand out from the competitions and assessments, during which the posts of a part of the staff and cadres were adjusted, to optimize the staff's performance and working motivation..

The year 2016 is the first year of the "Thirteenth Five-Year Plan", a year to link the preceding with the following. According to the content of "Thirteenth Five-Year Plan" for fluorine silicon industry, the Group made appropriate planning and preparation as follows:

I. Continue to be market-oriented

In the face of the current domestic economic situation, the Group's most important strategy is to seize the market opportunities and get profit from the market. Therefore, the Group will strengthen the market analysis and research in 2016 to correctly develop the market direction. The Group will also increase product promotion efforts, so that customers can have a better understanding of our product technology and quality. Besides, the Group will leverage the resource advantages to improve the profitability of low-margin products. We will also take "large output size, large sales size, large market share, large exports size and big brands" as the strategy focuses, and coordinate with the promotion of information marketing and establishment of the internet sales platform. In addition, we will control the supply side, and perform strict supervision on the cost and quality.

II. Increase investment in scientific research

Dongyue has always been implementing the principle of independent innovation, vigorously developing new products, improving production technology, and developing high-end fluorine-silicon chemical products. In response to the "Thirteen Five" plan deployment, the Company will further increase investments in scientific research in 2016, speed up the progress of the "two alternatives", enhance the competitiveness of our technology, and strive to achieve high corporate efficiency to further promote economic and social development.

III. Further promote work of "learning from Formosa Plastics"

Based on the significant results achieved in the approach of "learning from Formosa Plastics" in 2015, the Group will deepen this work in 2016. It will improve the construction of automation and information, and promote the online integrated applications of the systems of DCS control, online monitoring, energy management and equipment management to effectively reduce production costs, improve operational efficiency, and ensure product quality.

IV. Adjust personnel and job mechanism

In 2016, the Group will adjust the human resources arrangements such as employee turnover and position settings, with the aim to improve the overall efficiency, mobilize working enthusiasm of employees, and provide a platform for the realization of employee value. The working details include: defining the functions of the various positions, discovering and reflecting the value of talents through employment by competition and work shift systems, and adjusting the job frame to reduce the situations of job duplication and redundant staff.

V. Strengthen internal risk control

The Group will increase the internal risk control in 2016. In terms of institution, the Group will improve the internal control system and fill the loopholes; in terms of supervision, it will increase efforts in supervision and improve execution; in terms of personnel, it will increase risk knowledge and internal control management training, to improve personnel's risk awareness. The Group has noted the new requirements of the SEHK on risk disclosure and the management has attached great importance to this. Thus, the Group will make a disclosure in strict accordance with the requirements of the SEHK.

In 2016, the Group will face more severe challenges from home and abroad, inside and outside the industry and the Group. The new year will be a crucial year for the development of the Group. Even under this environmental pressure, the Group will, with nearly three decades of development experience as well as its status and capabilities in the industry, it is expected to continue its impressive performance in 2015. The Group will face the difficulties with a new attitude in the new year and achieve greater breakthroughs, to bring considerable returns to the majority of shareholders and investors.

FINANCIAL REVIEW

Results Highlights

For the year ended 31 December 2015, the Group recorded revenue of approximately RMB7,032,486,000, representing a decrease of 7.46% over RMB7,599,696,000 of the previous year. The gross profit margin increase to 16.62% (2014: 16.00%) and the operating results margin was 12.67% (2014: 11.74%). However, during the year under review, the Group recorded a one-off write-off in the amount of RMB1,478,200,000 ("the write-off of assets"), equivalent to the entire amount of the RMB1,478,200,000 misappropriated funds of the Group as referred to in note 6 to the consolidated financial statements in this announcement. As a result, for the year ended 31 December 2015, the Group recorded loss before tax of approximately RMB796,717,000 (2014: profit before tax of RMB691,030,000), and net loss of approximately RMB680,937,000 (2014: net profit of RMB496,996,000), while consolidated loss attributable to the Company's owners was approximately RMB690,479,000 (2014: profit of RMB483,276,000). Basic loss per share was RMB0.33 (2014: basic earnings of RMB0.23). The Board of Directors of the Company recommended the payment of a final dividend of HK$0.05 (2014: HK$0.09) per share to the shareholders whose name appear on the register of members of the Company on 31 July 2017.

Segment Revenue and Operating Results

Set out below is the comparison, by reportable and operating segments, of the Group's revenue and results for the year ended 31 December 2015 and the year ended 31 December 2014:

	For the year ended 31 December 2015			For the year ended 31 December 2014		
Reportable and Operating Segments	**Revenue** *RMB'000*	**Results** *RMB'000*	**Operation Results Margin**	Revenue *RMB'000*	Results *RMB'000*	Operating Results Margin
Polymers	**1,952,624**	**181,247**	**9.28%**	2,152,054	364,213	16.92%
Organic Silicone	**1,443,354**	**(28,873)**	**(2.00%)**	1,514,114	(31,805)	(2.10%)
Refrigerants	**2,861,438**	**372,158**	**13.01%**	3,228,747	367,230	11.37%
Dichloromethane, Polyvinyl Chloride ("PVC") and Liquid Alkali	**981,646**	**54,046**	**5.51%**	1,195,081	62,944	5.27%
Property development	**619,233**	**200,133**	**32.32%**	525,087	145,955	27.80%
Others	**689,959**	**18,138**	**2.63%**	672,440	20,784	3.09%
	8,548,254	**796,849**	**9.32%**	9,287,523	929,321	10.01%
Less: Inter-segment sales	**(1,515,768)**	**–**	**–**	(1,687,827)	–	–
Consolidated	**7,032,486**	**796,849**	**11.33%**	7,599,696	929,321	12.23%

Analysis of Revenue and Operating Results

During the year under review, world industrial production grew slowly, bulk commodity prices were declining and total trade remained in the doldrums. Impact of economic structural adjustment made by the People's Republic of China (the "PRC") continued and sluggish domestic economic growth would still affect the overall growth of market demand, thus causing negative impact on domestic sales of bulk chemical products. In this case, since the overcapacity problem in fluorine and silicone industry remained unresolved, the Group did not have much new capacity into operation during the year.

During the year, the Group recorded loss before tax of approximately RMB796,717,000. Due to the influence of misappropriation of funds of RMB1,478,200,000, the overall profitability of the Group was severely affected, which is the main cause of the losses of the Group. However, excluding the impact brought by the write-off of RMB1,478,200,000, the consolidated profit of the Group did not reduce much compared with last year. Excluding the effect of assets written off, the profit before tax of the Group was approximately RMB681,483,000, about 1.38% lower than that in the last year (RMB691,030,000),which is mainly due to the decrease in sales revenue brought by market conditions. In response to the market situation, the Group continued to take advantages of the industrial chain to maintain the lower cost and remain its market competitiveness. On the other hand, the Group insisted on independent innovation and maintained market competitiveness with its product quality. Therefore, to a certain extent, the overall gross profit margin improved slightly compared with last year. Among all, business sectors, including the refrigerant and real estate business can maintain stable performances. Excluding impact from the write-off of assets, the operating results of the refrigerant business recorded a slight increase while the real estate business even recorded in a relatively large increase. In addition, the organic silicone business decreased compared with last year. In terms of external investment, CMIG equity investments have produced returns. Besides, the performance drops obviously in business of polymers segment, mainly due to the sharp decline in product prices in the market and the low gross margins in overall market.

Refrigerants

During the year, the refrigerants segment's total revenue (including inter-segment sales) was RMB2,861,438,000, decreased by 11.38% compared with RMB3,228,747,000 last year, accounting for 26.56% of the Group's consolidated revenue (excluding inter-segment sales). The refrigerants segment recorded profit of RMB372,158,000, increased by 1.34% compared with last year's RMB367,230,000. Although the refrigerant's market price dropped during the year, the Group actively explored new markets, increased sales and controlled cost, to maintain the growth trend in the segment.

This segment includes the revenues generated from the manufacturing and sales of traditional refrigerants products (mainly R22), new green and environmental-friendly refrigerants products (mainly R32, R125, R134a and R410a and so forth) and other types of refrigerants products (mainly R142b and R152a and so forth). The Group produces and sells refrigerants products externally to both domestic and international customers, and internally (mainly R22 and R410b) for its Polymers business segment.

As the backbone refrigerants product of the Group with the largest production capacity in the world, R22 is the most widely used refrigerant in the PRC and is generally used in household appliances. Apart from that, it has been one of the key raw materials for the production of the fluoropolymers (i.e. PTFE, HFP and other downstream fluorinated chemicals) and R125. R125 and R32 are the key refrigerant mixture for other types of green refrigerants (such as R410a) to replace R22. Currently, R410a has been the principal replacing refrigerant which has been widely applied in inverter air conditioners and other green home appliances. R134a is broadly used in the refrigeration and air-conditioning systems in automobile air conditioners, while R152a is another key refrigerant product of the Group which can also be used as blowing agents, aerosols and cleaning agents. Apart from the fact that R142b can be used as refrigerant, temperature controller medium, or intermediates of aviation propellant, it can also be one of the main raw materials for the production of VDF.

Pursuant to the Montreal Protocol, R22 would be progressively phased out as a refrigerant by the end of 2030 and would be replaced by other green refrigerants. The Chinese government has stopped granting approval to the building up of new R22 capacity. Starting from 2013, the Chinese government has been enforcing a quota system for the sales of R22 as a refrigerant or ozone depleting substances for all of the domestic R22 producers. As a result, the year-on-year growth of the sales volume of R22 was limited and the Group's sales income of R22 recorded a slight decrease as compared to the previous year due to its price drop.

Due to R22 restrictions, domestic appliance manufacturer in China began to explore models that use other green refrigerants so that other green refrigerants' price and demand would increase. Therefore, the refrigerant products of the Group such as R410a and R32 witnessed revenue rise.

During the year, the momentum of the domestic car market contributed to the increase of R134a product sales, improving the Group's earnings from R134a.

Fluoropolymer

During the year, fluorine-containing polymers segment's total revenue was RMB1,952,624,000, decreased by about 9.27% compared with last year's figure – RMB2,152,054,000, accounting for 27.77% of total revenue of the Group (excluding inter-segment sales). The segment recorded profit of RMB181,247,000, decreased by 50.24% compared with RMB364,213,000 of last year. The decline in the segment results related to the decrease in domestic market activity and overall lower demand leads to a drop in market prices of fluorine-containing polymer, affecting the performance of this segment.

The polymers segment, together with organic silicone segment is regarded as a China new material industry that has huge potential, business prospects and government support. During the year, the Group continued to implement established policies in the development and marketing of new products, bringing new potential to enhance profitability for the Group.

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 ageing and chemical resistant that is used as a coating material and can also be further processed into high-end fine chemicals which can be widely applied in the chemicals, construction, electrical and electronics and automotive industries) and HFP (an important organic fluorochemical monomer, which can be used to produce various fine chemicals). Furthermore, the Refrigerants segment of the Group supplied R22 and R142b as the raw materials for the production of a variety of downstream fluoropolymer fine chemicals including FEP (modified materials of PTFE, produced with HFP added in TFE, mainly used in the lining for wire insulation layer, thin-walled tube, heat shrinkable tubes, pumps, valves and pipes), FKM (Fluorine Rubber, a specialized fluorinated material produced with VDF, HFP and TFE, which is mainly used in the fields of aerospace, automotives, machinery and petro-chemistry because of its superior mechanical property, and excellent oil, chemical and heat resistance), PVDF (fluorocarbon made with R142b to produce VDF, mainly used as a fluorine coating resin, fluorinated powder coating resin and lithium battery electrode binding material) and VDF, in which Shandong Huaxia Shenzhou New Material Co., Ltd. ("Huaxia Shenzhou") has been engaging. Other fluorinated fine chemicals, including PPVE, PSVE, HFPO, formed another major production category of Huaxia Shenzhou.

In 2015, as influenced by the market, fluorine-containing polymers segment of the Group did not build up higher capacity. Therefore, segmental direction was set to develop new products, namely, high-end fluoropolymer products. 12 new relevant products were developed which include DF-2046A and FEVE. In addition, there were a number of projects to improve product performance and quality.

Organic Silicone

During the year, the revenue (including inter-segment sales) coming from the Organic Silicone business segment decreased by 4.67% to approximately RMB1,443,354,000 this year from approximately RMB1,514,114,000 last year, accounting for 20.52% (excluding inter-segment sales) of the consolidated revenue of the Group. During the year, this segment recorded a loss of RMB28,873,000, or 9.22% lower than that of RMB31,805,000 in last year. At present, the organic silicone market continued the trend of overcapacity, price decline and profit squeeze, which resulted in loss in this segment. Nonetheless, we managed to reduce loss from last year through active market exploration as well as product technique and quality enhancement.

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

Similar to that in fluoropolymer segment, the Group's strategy in the Organic Silicone segment is to devise and develop new downstream products with higher profit margins, such as 107 glue and other low-viscosity products, and improve and reform other products technically, laying foundation for cost reduction, technical index improvement and segmental loss decline.

Dichloromethane, PVC and Liquid Alkali

During this year, the segment revenue (including inter-segment sales) was approximately RMB981,646,000, down by 17.86% from RMB1,195,081,000 in 2014, and accounting for 13.91% of the Group's consolidated revenue (excluding inter-segment sales). During the year, this segment recorded profit of RMB54,046,000, decreased by 14.14% compared with RMB62,944,000 of last year, mainly due to the falling prices of bulk chemical products, which is under the influence of the overall domestic market.

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

During the year, due to the fluctuations in real estate market, the revenue of PVC product decreased to a certain extent. Affected by the overall domestic market, both the demand and price of bulk chemical products dropped, which brought considerable impact on the revenue of dichloromethane products.

Property Development – Dongyue International Project (the "Project")

The Project comprises, among others, residential portion of two parcels of land which are adjacent to each other. They are located at the west of Liuquan North Road, the north of Huantai Avenue and the south of Gongyuan Road, Huantai County, Zibo City, Shandong Province, the PRC with a total site area of 189,381 square metres. The residential portion is 157,187 square metres, upon which the Group planned to construct 23 residential blocks with a total planned gross floor areas of approximately 296,000 square metres. The Project comprises five phases which are expected to be completed by the end of 2017. As of the end of December 2015, the Group, owning 100% interest in the Project, had been constructing all phases of the Project.

The Group commenced pre-sale of the phase 1 starting from the financial year of 2013, and phase 2, phase 3 and phase 4 starting from the financial year of 2014. During the year, the Group sold a total of 525 residential units with a total of approximately 67,820 square metres. The segment revenue and the segment profit have been recorded as RMB619,233,000 and RMB200,133,000 respectively.

Others

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

During the year, the revenue (including inter-segment sales) for this segment increased by 2.61% to RMB689,959,000 from RMB672,440,000 of the last year. The segment recorded profit of RMB18,138,000, decreased by 12.73% compared with RMB20,784,000 of last year, mainly due to the complicated domestic market situation, which led to a considerable decline in the demand for and prices of bulk chemical products. The price of the anhydrous hydrogen fluoride decreased significantly, but the price of the bromine increased noticeably, so the overall revenue was nearly the same as that of the last year.

During the year, the Group gained proceeds of RMB100 million from its subscription for 1 billion shares in China Minsheng Investment Corp Limited ("CMIC") for an aggregate amount of RMB1 billion (the "Subscription"). The Group held that the Subscription will provide the Group (indirectly through CMIC) with potential investment and acquisition opportunities in industries and enterprises with growth potentials, which, together with its other equity investments, allows the Group to capitalize on the financial leverage for the purpose of diversifying its business risks, while maintaining the focus of its business and strengths in its core fluorochemical business.

Distribution and Selling Expenses

During the year, the distribution and selling expenses increased by 0.03% to RMB251,284,000 from RMB251,209,000 of the previous year. As a result of stringent cost control measures imposed by the Group, the amount of distribution and selling expenses remained steady.

Administrative Expenses

During the year, the administrative expenses decreased by 9.89% to RMB261,116,000 from RMB289,791,000 of the previous year, mainly attributable to the improved operational efficiency of the Company after the work of "learning from Formosa Plastics".

Assets Written Off

During the year, an one-off amount of RMB1,478.2 million, equivalent to the entire amount of the RMB1,478.2 million misappropriated funds of the Group, has been fully written off as a conservative measure. The details of the assets written off were also disclosed in note 6 to the consolidated financial statements in this announcement.

The RMB1,478.2 million misappropriated funds of the Group relate to (i) wealth management investments of RMB978.2 million due from a group of nine companies (collectively, the “MC Companies”) as at 31 December 2015 (the “Receivables”) and (ii) two bank deposits of RMB500 million placed by two subsidiaries of the Group in the Bank of Communications Company Limited, Qingdao branch, in the PRC as security deposits for the bank to lend the same amount of loans to two of the MC Companies (the “Long-term Deposits”) (collectively, the” Alleged Financial Transactions”). The Long-term Deposits were forfeited by the bank due to default on repayment by the two relevant MC Companies. As at the date of this announcement, the Receivables and the relevant interest accrued thereon have not been repaid. The Company considers the Alleged Financial Transactions to be unauthorised and misappropriation of funds with the involvement of former employees of the Group.

Development of the Investigation by the Public Security Authority

As disclosed in the announcement of the Company dated 24 February 2016, the Company reported the incident to the local public security authority in the PRC (the “Public Security Authority”) immediately after it was informed by the bank on 2 November 2015 that the balance of the Long-term Deposits was zero.

The Company was informed by the Public Security Authority on 2 February 2016 that the approval for arresting the suspect had been granted by the prosecutorial authority on the same date. The suspect is Li Bin, the former PRC financial controller of the Company before all his powers and functions of office were dismissed on 3 November 2015 by the Company. The suspect had ceased to be employed by the Company since 29 January 2016 due to his suspected criminal charge. There were another two former employees of the Group, namely Zhang Xiaolin and Gong Xiaolei (collectively, the “Cashier Officers”), who were being investigated by the Public Security Authority.

On 22 August 2016, the Company was further informed by the Public Security Authority that 14 individuals including employees of the relevant banks, responsible persons of the MC Companies and former employees of the Group had been arrested by the Public Security Authority or released on bail pending trial. As at the date of this announcement, apart from Li Bin and the Cashier Officers, no other personnel of the Group were involved in the Alleged Financial Transactions. The flow of funds regarding the misappropriated funds in the total amount of RMB1,478.2 million had been ascertained and such flow of funds is not connected with the management of the Group.

On 3 February 2017, the Public Security Authority has informed the Company’s independent committee that their investigation in relation to the Alleged Financial Transactions has basically completed. The matter would move to court proceedings and the suspects would be prosecuted.

On 28 February 2017, a public trial was held in the People’s Court of Huantai Count in connection with the case of misappropriation of funds involving Li Bin and others. The prosecutors had also initiated public prosecutions against the relevant personnel in the Bank of Communications Company Limited, Qingdao branch.

Forensic review report

In February 2016, the Company set up an independent committee, which engaged an independent counsel which in turn engaged PricewaterhouseCoopers Management Consulting (Shanghai) Limited (the "Independent Forensic Expert") on 10 March 2016 to perform an independent review to the Alleged Financial Transactions. The Independent Forensic Expert published a forensic report regarding its investigation on 13 September 2016. A summary of the findings of the report was disclosed in the Company's announcement dated 30 September 2016.

Remedial actions taken and proposed by the Company

(i) the Company has appointed one of the big four accounting firms on 12 December 2016 as its internal control adviser (the "Internal Control Adviser"). The scope of work of the Internal Control Adviser includes conducting a review of, among others, the treasury functions, financial and accounting information reporting and communications and procedures on inside information disclosures of the Group, and to provide recommendations to the Company. As at the date of this announcement, the Internal Control Adviser has been completed the review. After review of the contents and results of the internal control assessment report prepared by the Internal Control Adviser, and taking into consideration the remedial measures having been taken according to confirmation of the management, the Board believes that the Company has adequate procedures in place to fulfill its obligation under the Listing Rules.

(ii) the Company will arrange training for all members of the Board and senior management of the Company on compliance rules and regulations applicable to listed companies in Hong Kong;

(iii) the Company has formulated internal policies and a procedure manual on inside information to be circulated to all employees of the Group and the department heads of each of the key operating subsidiaries of the Company will be delegated the responsibility to provide introductory training to their subordinates; and

(iv) the Company has formulated internal policies and procedures on financial and accounting information reporting and communications.

(v) On 19 January 2017, Shandong Dongyue Chemicals Co., Ltd. (the "Plaintiff"), a subsidiary of the Company filed a civil lawsuit at the Zibo Intermediate People's Court in the PRC against Bank of Communication Company Limited, Qingdao branch, Bank of Communications Company Limited, north branch of Qingdao city, Shandong Heng Tai Jie Neng New Material Technology Co Ltd (one of the nine MC companies) and Li Bin (collectively, the "Defendants"). The Defendants are alleged to have colluded to jeopardise the interests of the Plaintiff. A summary of the lawsuit was disclosed in the Company's announcement dated 25 January 2017.

Finance Costs

During the year, the finance costs increased by 3.59% to RMB208,663,000 from RMB201,441,000 of the previous year. This was mainly attributable to the increase in the amount of the borrowings of the Group during the year.

Capital Expenditure

For the year ended 31 December 2015, the Group's aggregate capital expenditure was approximately RMB677,769,000 (2014: RMB675,754,000). The Group's capital expenditure is mainly for the acquisition of fixed assets including the equipment and facilities for the improving technical and upgrading the intelligence system of the Group.

Liquidity and Financial Resources

The Group's financial position is sound with healthy working capital management and strong operational cash flow. As at 31 December 2015, the Group's total equity amounted to RMB5,072,375,000, representing a decrease of 14.00% compared with that as at 31 December 2014, which is mainly attributable to the asset written off of RMB1,478.2 million during the year. As at 31 December 2015, the Group's bank balances and cash totaled RMB1,467,426,000 (31 December 2014: RMB1,345,212,000). During the year under review, the Group generated a total of RMB540,991,000 (for the year ended 31 December 2014: RMB720,713,000) cash inflow from its operating activities. The current ratio(1) of the Group as at 31 December 2015 was 1.07 (31 December 2014: 1.38).

Considering the effect of incident of misappropriation of funds, the asset written off of RMB1,478.2 million did not undermine the healthy working capital management of the Group while the Group still maintained sufficient cashflow on the production, supply and sale activities of the Group. Taking the above figures into account, together with the available bank balances and cash, the unutilized banking credit facilities and support from its banks as well as its sufficient operational cash flows, the management is confident that the Group will have adequate resources to settle any debts and to finance its daily operational and capital expenditures.

Capital Structure

During the year, the Company repurchased and cancelled a total of 4,776,000 ordinary shares of the Company (the "Buyback Shares"). After the cancellation of the Buyback Shares, the number of issued shares of the Company was decreased to 2,113,391,455.

As at 31 December 2015, the borrowings of the Group totaled RMB3,419,366,000 (31 December 2014: RMB3,276,524,000). The gearing ratio(2) of the Group was 27.79% (31 December 2014: 24.67%)

The Group had no particular seasonal pattern of borrowing. As at 31 December 2015, the Group's borrowings comprised non-current portion (over 1 year) and current portion (within 1 year). The non-current portion of borrowings amounted to approximately RMB1,587,612,000 which are wholly repayable after one year but not exceeding five years. The current portion of borrowings amounted to approximately RMB1,831,754,000. The Group's borrowings were made at fixed interest rates and floating rates. The weighted average effective interest rates on floating rate borrowings and fixed rate borrowings for the year ended 31 December 2015 were 5.84% (2014: 6.48%) and 6.21% (2014: 6.19%) per annum, respectively. As at 31 December 2015, 30.54% (31 December 2014: 40.00%) of the Group's borrowings bear fixed interest rates.

As at 31 December 2015, the Group's borrowings were denominated in RMB, HK and US dollars, amounting to approximately RMB3,184,900,000, approximately HK$120,000,000 (equivalent to approximately RMB100,536,000) and approximately US$20,625,000 (equivalent to approximately RMB133,930,000) respectively.

Group Structure

During the year, 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 Borrowing – Bank Balances and Cash

Total Capital = Net Debt + Total Equity

Charge on Assets

As at 31 December 2015, the Group had certain property, plant and equipment and lease prepayments with an aggregate carrying value of approximately RMB319,591,000 (31 December 2014: RMB249,503,000), and bank deposits of RMB113,214,000 (31 December 2014: RMB185,145,000), which were pledged to secure the Group's borrowings and the bills payable of the Group.

Exposure to Fluctuations in Exchange Rates and Related Hedges

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

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

Employees and Remuneration Policy

The Group had 6,297 employees in total as at 31 December 2015 (31 December 2014: 6,824). The Group implemented its remuneration policy, bonus and share option schemes based on the performance of the Group and its employees. The Group provided benefits such as social insurance and pensions to ensure remuneration competitiveness.

In addition, the Group also adopted a share option scheme as a long term incentive to the Directors and eligible employees. The emolument policy for the Directors and senior management of the Group is set up by the Remuneration Committee, having regard to the Group's performance, individual performance and comparable market conditions.

OTHER INFORMATION

Final Dividend

The Directors recommend the payment of a final dividend of HK$0.05 (the "Final Dividend") (2014: HK$0.09) per share in respect of the year 2015, to the shareholders whose names appear on the register of members of the Company (the "Register") on 31 July 2017, subject to the approval of the members of the Company at the Company's annual general meeting (the "AGM"). The Final Dividend is after excluding the applicable PRC income tax.

The AGM of the Company will be held on 26 July 2017. A notice of the AGM will be published and dispatched to the shareholders of the Company in due course.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the HKSE (the "Listing Rules"). The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year ended 31 December 2015 and all Directors confirmed that they have fully complied with the relevant requirements set out in the Model Code during the year.

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

During the year, the Company repurchased, on the HKSE, the Buyback Shares at a price range of HK$1.67 to HK$1.79 per share. The aggregate consideration for the Buyback Shares is approximately HK$3,646,000, which was funded from internal resources of the Company. The Buyback Shares were validly cancelled on 24 July and 7 September 2015.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

Audit Committee

The Audit Committee of the Company was established on 16 November 2007 in accordance with Appendix 14 to the Listing Rules. The existing Audit Committee comprises Mr. Ting Leung Huel, Stephen (Chairman), Mr. Yue Rundong and Mr. Yang Xiaoyong, all being independent non-executive Directors.

The Audit Committee met with the management on 28 April 2017, to review the accounting standards and practices adopted by the Group and to discuss matters regarding internal control and financial reporting including the review of the Group's annual results for the year ended 31 December 2015 before proposing them to the Board for approval.

Remuneration Committee

The Company has established a Remuneration Committee to consider the remuneration for Directors and senior management of the Company. The Remuneration Committee comprises Mr. Yang Xiaoyong (Chairman) and Mr. Ting Leung Huel, Stephen who are independent non-executive Directors and Mr. Zhang Jianhong who is an executive Director.

Nomination Committee

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

Corporate Governance Committee

The Company established a Corporate Governance Committee with written terms of reference on 21 March 2013 to be responsible for reviewing the Company's policies and practices on corporate governance, the Company's compliance with the Code, the relevant disclosure in the report on corporate governance code and other related matters. Mr. Zhang Jianhong was appointed as the chairman of the Corporate Governance Committee and Mr. Liu Chuanqi and Mr. Feng Jianjun were appointed as the members of the Corporate Governance Committee.

Risk Management Committee

The Company established a Risk Management Committee with written terms of reference on 13 August 2015 to review and advise the risk management and internal control of the Company and other related matters. Mr. Ting Leung Huel, Stephen was appointed as the chairman of the Risk Management Committee and Mr. Yang Xiaoyong and Mr. Yue Rundong were appointed as the members of the Risk Management Committee.

Compliance with the Corporate Governance Code

Throughout the year ended 31 December 2015, save as disclosed below, the Company has complied with the code provisions of the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules.

Code Provision A.2.1

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

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

Code Provision A.1.1

There was a deviation from provision A.1.1 of the Code:

During the year under review, three Board meetings (instead of four as required by the code provision A.1.1 of the Code) and an annual general meeting were held. Instead, the authorization to the legal advisor representing the Company on some regulatory matters during the year were approved by written resolutions signed by the Board for efficiency reasons.

ANNOUNCEMENT OF ANNUAL RESULTS AND PUBLICATION OF ANNUAL REPORT

This final results announcement is published on the Company's website at www.dongyuechem.com and the website of the HKSE at www.hkexnews.hk. The Annual Report will also be available at the websites of the Company and the HKSE and will be dispatched to shareholders of the Company in June 2017.

(2) Closure of Register of Members

The Board announces that the Register will be closed from 21 July to 26 July 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all share transfers, accompanied by the relevant share certificates, must be lodged with the Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 20 July 2017.

The Board further announces that the Register will be closed from 1 August to 3 August 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the Final Dividend, all share transfers, accompanied by the relevant share certificates, must be lodged with the Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 31 July 2017.

The expected date for payment of the Final Dividend is 8 September 2017.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended at the request of the Company since 9:00 a.m. on 1 April 2016 and will remain suspended until the publication of 2016 interim results and 2016 annual results.

By Order of the Board
Dongyue Group Limited
Zhang Jianhong
Chairman

The PRC, 28 April 2017

As at the date of this announcement, the Board comprised Mr. Zhang Jianhong, Mr. Fu Kwan, Mr. Liu Chuanqi, Mr. Cui Tongzheng, Mr. Feng Jianjun and Mr. Zhang Jian as executive Directors; and Mr. Ting Leung Huel, Stephen, Mr. Yue Rundong and Mr. Yang Xiaoyong as independent non-executive Directors.