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DONGYUE FEDERATION

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

(1) ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR 2016; (2) CLOSURE OF REGISTER OF MEMBERS AND (3) RESUMPTION OF TRADING

FINANCIAL HIGHLIGHTS
(in RMB million, unless otherwise stated)

	Financial Year ended 31 December	
	2016	2015
Revenue	**7,970**	7,032
Gross Profit	**1,641**	1,169
Gross Profit Margin	**20.59%**	16.62%
Profit/(Loss) before Tax	**862**	(797)
Profit/(Loss) and Total Comprehensive Income/(Loss)	**615**	(681)
Profit/(Loss) and Total Comprehensive Income/(Loss) attributable to the Shareholders	**588**	(690)
Basic Earnings/(Loss) per Share (RMB)	**0.28**	(0.33)
Final Dividend per Share (HK$)	**0.10**	0.05

	As at	
	31 December 2016	31 December 2015
Total Equity	**5,686**	5,072
Net Assets per Share (RMB)	**2.69**	2.40

(1) Announcement of Annual Results for 2016

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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 audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016:

OPINION

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 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

Opening balances, corresponding figures and comparative financial statements

The auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2015 contained qualification on the possible effect of the limitations on the scope of the audit in relation to Loans and Receivables and Bank balances and cash. Details of which has been set out in the auditor's report dated 28 April 2017.

As the auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2015 formed the basis for the corresponding figures presented in the current year's consolidated financial statements, any adjustments found to be necessary in respect of the carrying amount of the Loans and Receivables and Bank balances and cash would have a significant effect on the opening balances on the consolidated financial position of the Group as at 31 December 2016 and the related disclosures thereof in the consolidated financial statements of the Group for the year ended 31 December 2016.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** *RMB'000*	2015 *RMB'000*
Revenue	*4*	**7,969,773**	7,032,486
Cost of sales		**(6,328,718)**	(5,863,519)
Gross profit		**1,641,055**	1,168,967
Other income	*5*	**186,667**	343,949
Distribution and selling expenses		**(283,058)**	(251,284)
Administrative expenses		**(387,610)**	(261,116)
Impairment of available-for-sale investments		**(42,324)**	–
Impairment of intangible assets		**–**	(40,000)
Assets written off	*6*	**–**	(1,478,200)
Research and development expenses		**(73,947)**	(69,797)
Finance costs	*7*	**(166,229)**	(208,663)
Share of results of associates		**(12,440)**	(573)
Profit/(loss) before tax		**862,114**	(796,717)
Income tax (expense)/credit	*8*	**(246,648)**	115,780
Profit/(loss) and total comprehensive income/(expense) for the year	*9*	**615,466**	(680,937)
Profit/(loss) and total comprehensive income/(expense) attributable to:			
– Owners of the Company		**588,154**	(690,479)
– Non-controlling interests		**27,312**	9,542
		615,466	(680,937)
Earnings/(Loss) per share	*10*		
– Basic (RMB)		**0.28**	(0.33)
– Diluted (RMB)		**0.28**	(0.33)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment		**3,874,258**	4,181,257
Prepayments for purchase of property, plant and equipment		**8,682**	281
Prepaid lease payments		**472,533**	469,366
Prepayment for land lease		**82,000**	–
Intangible assets		**107,225**	117,993
Interests in associates		**10,283**	995
Available-for-sale investments		**1,152,959**	1,195,283
Deferred tax assets		**451,653**	453,288
Goodwill		**85,894**	85,894
Deposit paid for acquisition of a subsidiary		**–**	165,897
Deposit paid for acquisition of associates		**59,800**	7,250
		6,305,287	6,677,504
Current assets			
Inventories		**710,968**	713,461
Properties for sale		**407,220**	787,429
Prepaid lease payments		**13,603**	13,241
Trade and other receivables	*12*	**1,208,975**	1,392,153
Entrusted loans	*13*	**30,000**	336,300
Pledged bank deposits		**106,703**	113,214
Bank balances and cash		**2,082,361**	1,467,426
		4,559,830	4,823,224
Current liabilities			
Trade and other payables	*14*	**1,950,444**	2,194,297
Deposits from pre-sale of properties		**98,527**	422,670
Borrowings		**1,797,700**	1,831,754
Tax liabilities		**61,534**	49,067
Deferred income		**27,925**	28,755
		3,936,130	4,526,543
Net current assets		**623,700**	296,681
Total assets less current liabilities		**6,928,987**	6,974,185

	Notes	**2016**	2015
		RMB'000	*RMB'000*
Capital and reserves			
Share capital		**200,397**	200,540
Reserves		**5,187,611**	4,600,999
Equity attributable to the owners of the Company		**5,388,008**	4,801,539
Non-controlling interests		**298,243**	270,836
Total equity		**5,686,251**	5,072,375
Non-current liabilities			
Deferred income		**252,057**	264,051
Deferred tax liabilities		**58,679**	50,147
Borrowings		**932,000**	1,587,612
		1,242,736	1,901,810
		6,928,987	6,974,185

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	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*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
Balance at 1 January 2015	200,922	1,233,594	382,319	(32,210)	101,098	716,317	3,038,767	5,640,807	256,997	5,897,804
(Loss)/Profit and total comprehensive (expense)/ 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	–	–	–	–	–	–	(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**
Profit and total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**588,154**	**588,154**	**27,312**	**615,466**
Transfer	**-**	**-**	**-**	**-**	**506**	**-**	**-**	**506**	**95**	**601**
Shares repurchased and cancelled	**(143)**	**(2,048)**	**-**	**-**	**-**	**-**	**-**	**(2,191)**	**-**	**(2,191)**
Balance at 31 December 2016	**200,397**	**1,224,924**	**391,844**	**(32,210)**	**102,040**	**737,882**	**2,763,131**	**5,388,008**	**298,243**	**5,686,251**

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 2016

	2016	2015
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Profit/(Loss) before tax	**862,114**	(796,717)
Adjustments for:		
Finance costs	**166,229**	208,663
Interest income	**(32,512)**	(144,162)
Realisation of deferred income	**(30,333)**	(24,826)
Recognition of impairment on trade receivables	**22,751**	(900)
Depreciation and amortisation	**721,030**	691,538
Release of prepaid lease payments	**13,469**	13,088
Equity-settled share-based payment expenses	**–**	9,525
Write-down of inventories	**5,200**	9,458
Share of results of associates	**12,440**	573
Dividend income from available-for-sale investments	**(14,768)**	(117,037)
Loss on disposals of property, plant and equipment	**35,910**	8,252
Impairment of intangible assets	**–**	40,000
Impairment of property, plant and equipment	**–**	740
Impairment of investment in associates	**995**	–
Impairment of available-for-sale investments	**42,324**	–
Gain on acquisition of associate	**(22,723)**	–
Written off of property, plant and equipment	**–**	5,047
Assets written off	**–**	1,478,200
Operating cash flows before movements in working capital	**1,782,126**	1,381,442
(Increase)/decrease in inventories	**(2,707)**	76,942
Decrease/(Increase) in trade and other receivables	**160,427**	(937,699)
Decrease in properties under development for sale	**380,209**	16,960
(Decrease)/increase in trade and other payables	**(243,252)**	221,678
Decrease in deposits from pre-sale of properties	**(324,143)**	(116,880)
Increase in deferred income	**17,509**	72,587
Cash generated from operations	**1,770,169**	715,030
Income taxes and withholding tax paid	**(224,014)**	(150,839)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**1,546,155**	564,191

	2016	2015
	RMB'000	*RMB'000*
INVESTING ACTIVITIES		
Entrusted loans to third parties	**(284,500)**	(1,903,000)
Purchase of property, plant and equipment	**(448,779)**	(394,455)
Payment for prepaid land lease	**(98,998)**	–
Purchase of intangible assets	**(360)**	–
Wealth management investments to third parties	**–**	(828,200)
Repayment of entrusted loans from third parties	**590,800**	1,936,700
Interest received	**32,512**	144,162
Proceeds from release of pledged bank deposits	**6,511**	71,931
Proceeds from disposals of property, plant and equipment	**1,564**	3,655
Repayment of wealth management investments from third parties	**–**	805,000
Dividend income from available-for-sale investments	**14,768**	117,037
Dividends received from associates	**–**	254
Deposit received from/(paid for) acquisition of a subsidiary	**165,897**	(165,897)
Deposit paid for acquisition of associates	**(52,550)**	(7,250)
NET CASH USED IN INVESTING ACTIVITIES	**(73,135)**	(220,063)
FINANCING ACTIVITIES		
Proceeds from borrowings	**1,249,787**	2,090,585
Repayment of borrowings	**(1,939,452)**	(1,947,743)
Interest paid	**(166,229)**	(210,188)
Dividends paid	**–**	(151,746)
Shares repurchased and cancelled	**(2,191)**	(7,004)
Capital contribution from non-controlling interests	**–**	4,182
NET CASH USED IN FINANCING ACTIVITIES	**(858,085)**	(221,914)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**614,935**	122,214
CASH AND CASH EQUIVALENT AT BEGINNING OF THE YEAR	**1,467,426**	1,345,212
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
represented by:		
Bank balances and cash	**2,082,361**	1,467,426

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 People's Republic of China (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 issued by IASB. In addition, the consolidated financial statements include applicable disclosures required by The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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 recognized 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 2016

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 IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations

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.

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[2]
IFRS 15	Revenue from Contracts with Customers[2]
IFRS 16	Leases[3]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2014-2016 Cycle[5]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to IFRS 4	Applying IFRS 9 Financial instruments with IFRS 4 Insurance Contracts[2]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or its Joint Venture[4]
Amendments to IAS 7	Disclosure Initiative[1]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to IAS 40	Transfers of Investment Property[2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after a date to be determined
5 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.

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.

2016

	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	1,828,048	2,187,639	1,684,716	1,211,244	871,162	7,782,809	186,964	-	7,969,773
Inter-segment sales	1,044,368	-	-	2,999	-	1,047,367	520,778	(1,568,145)	-
Total revenue – segment revenue	2,872,416	2,187,639	1,684,716	1,214,243	871,162	8,830,176	707,742	(1,568,145)	7,969,773
SEGMENT RESULTS	193,196	245,119	81,204	145,147	308,204	972,870	74,646	-	1,047,516
Unallocated corporate expenses									(21,573)
Unallocated other income									14,840
Finance costs									(166,229)
Share of results of associates									(12,440)
Profit before tax									862,114

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)

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

	2016 *RMB'000*	2015 *RMB'000*
Monochlorodifluoromethane (HCFC-22)	**457,124**	590,967
Tetrafluoroethane (R134a)	**186,082**	153,279
Pentafluoroethane (R125)	**69,047**	34,701
R439A	**1,647**	417
R410a	**294,294**	271,373
R413A	**34,648**	35,972
R142b	**42,540**	43,107
R152a	**148,298**	113,654
R22	**307,584**	287,233
R32	**111,127**	165,127
Others	**175,657**	171,748
	1,828,048	1,867,578

Information about revenue from polymers segment by products from external customers

	2016	2015
	RMB'000	*RMB'000*
Polytetrafluoroethylene (PTFE)	**1,031,301**	1,045,205
Hexafluoropropylene (HFP)	**317,249**	253,861
Perfluorocyclobutane	**48,091**	49,922
Fluorinated ethylene propylene (FEP)	**18,505**	22,558
Polyvinylidene fluoride (PVDF)	**341,332**	259,464
Fluorine rubber (FKM)	**110,028**	87,728
Vinylidene fluoride (VDF)	**17,722**	18,055
Others	**303,411**	215,831
	2,187,639	1,952,624

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

	2016	2015
	RMB'000	*RMB'000*
DMC (Dimethylcyclosiloxane)	**292,216**	348,683
107 Silicone Rubber	**472,796**	426,173
Raw Vulcanizate	**252,938**	164,162
D3 (Hexamethylcyclotrisiloxane)	**168**	–
Gross Rubber	**55,586**	48,285
Gaseous Silica	**106,488**	107,679
DMC Hydrolysate	**117,893**	79,874
Trimethylchlorosilane	**50,909**	42,613
Methyldichlorosilane	**1,958**	1,781
DMC Lineament	**168,814**	96,567
D4 (Octamethyl Cyclotetrasiloxane)	**51,837**	42,578
Others	**113,113**	84,626
	1,684,716	1,443,021

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

	2016	2015
	RMB'000	*RMB'000*
PVC	**570,223**	441,405
Dichloromethane	**174,921**	180,278
Liqui alkali	**466,100**	356,245
	1,211,244	977,928

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

	2016 *RMB'000*	2015 *RMB'000*
AHF (Anhydrous Fluoride)	**418**	736
Ammonium Bifluoride	**49,445**	52,792
Hydrofluoric Acid	**32,592**	28,202
Bromine	**61,054**	52,120
Others	**43,455**	38,252
	186,964	172,102

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 2016 and 2015.

Geographical information

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

	2016 *RMB'000*	2015 *RMB'000*
PRC	**6,528,302**	5,576,179
Asia (except PRC)		
– Japan	**314,240**	277,798
– South korea	**269,765**	251,631
– India	**15,178**	28,097
– Singapore	**20,554**	19,378
– Thailand	**41,193**	45,522
– United Arab Emirates	**65,207**	54,516
– Pakistan	**16,528**	18,523
– Malaysia	**25,979**	27,526
– Philippines	**7,667**	8,013
– Viet Nam	**14,614**	17,512
– Turkey	**37,763**	36,381
– Other countries	**65,670**	62,548
Subtotal	**894,358**	847,445

	2016	2015
	RMB'000	*RMB'000*
America		
– United States of America	**197,721**	285,018
– Brazil	**96,390**	70,331
– Other countries	**20,498**	19,101
Subtotal	**314,609**	374,450
Europe		
– Italy	**96,625**	99,465
– England	**2,995**	3,591
– Russia	**27,406**	25,732
– Germany	**25,884**	31,712
– France	**8,621**	4,493
– Other countries	**13,826**	8,621
Subtotal	**175,357**	173,614
Africa		
– South Africa	**17,907**	20,354
– Egypt	**4,645**	6,408
– Nigeria	**16,019**	16,263
– Other countries	**9,782**	11,030
Subtotal	**48,353**	54,055
Other countries/regions	**8,794**	6,743
	7,969,773	7,032,486

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*
2016								
Depreciation of property Plant and equipment	**237,768**	**178,117**	**137,794**	**119,712**	**1,353**	**674,744**	**35,159**	**709,903**
Amortisation of intangible assets	**416**	**10,302**	**125**	**252**	**–**	**11,095**	**33**	**11,128**
Recognition of impairment on trade receivables	**17,306**	**87**	**61**	**4,376**	**–**	**21,830**	**921**	**22,751**
Research and development costs recognised as an expense	**4,403**	**66,370**	**2,078**	**576**	**–**	**73,427**	**520**	**73,947**
Write-down of inventories	**1,517**	**–**	**–**	**3,615**	**–**	**5,132**	**68**	**5,200**
Loss (gain) on disposals of property, plant and equipment	**10,254**	**7,599**	**15,394**	**2,075**	**–**	**35,322**	**588**	**35,910**
Release of prepaid lease Payments	**2,944**	**5,132**	**3,132**	**1,192**	**–**	**12,400**	**1,069**	**13,469**

	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
(Revisal) 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

5. OTHER INCOME

	2016	2015
	RMB'000	*RMB'000*
Government grants		
– Related to expense items *(Note a)*	**36,573**	23,678
– Related to assets	**30,333**	24,826
Bank deposits interest income	**9,211**	4,396
Interest income on wealth management contract	**–**	71,709
Interest income on entrusted loan	**23,299**	67,466
Dividend income from available-for-sale investments	**14,768**	117,037
Exchange gain	**29,037**	19,400
Other interest income	**13,224**	6,693
Others	**30,222**	8,744
	186,667	343,949

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 have authorised an independent committee (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 relevant companies for the wealth management investments as at 31 December 2015 respectively) and (ii) 2 bank deposits 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 totaling 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. There were approximately RMB828.2 million of wealth management contracts being invested by the Group during the year ended 31 December 2015.

With regard to the 2 bank deposits 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.

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

7. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest on:		
Bank loans wholly repayable within five years	**167,025**	203,655
Other borrowings repayable within five years	**858**	6,533
Total borrowings costs	**167,883**	210,188
Less: Amounts capitalised for property, plant and equipment	**(1,654)**	(1,525)
	166,229	208,663

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a weighted average capitalisation rate of 4.71% (2015: 6.22%) per annum to expenditure on qualifying assets.

8. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
PRC enterprise income tax ("EIT")		
– Current year	**174,774**	167,452
– Over provision in prior years	**(16,866)**	(9,592)
– Land Appreciation Tax ("LAT")	**73,573**	27,330
	231,481	185,190
Deferred tax charge/(credit)		
– Withholding tax for distributable profits of PRC subsidiaries	**18,742**	18,145
– Others	**(3,575)**	(319,115)
	15,167	(300,970)
Total income tax expense	**246,648**	(115,780)

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

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

	2016	2015
	RMB'000	*RMB'000*
Short-term employee benefits *(Note)*	**517,284**	405,205
Post-employment benefits	**84,101**	98,653
Equity-settled share-based payment expense	**–**	9,525
Other staff welfare	**39,135**	25,044
Total staff costs	**640,520**	538,427
Cost of investories recognised as an expense	**5,597,486**	5,172,491
Depreciation of property, plant and equipment	**709,903**	680,421
Amortisation of intangible assets (included in cost of sales)	**11,128**	11,117
Auditor's remuneration	**2,252**	2,603
Net foreign exchange gains	**(29,037)**	(19,400)
Recognition/(Reversal) of impairment on trade receivables	**22,751**	(900)
Impairment of wealth management contract	**–**	1,478,200
Research and development costs recognized as an expense	**73,947**	69,797
Write-down of inventories (included in cost of sales)	**5,200**	9,458
Release of prepaid lease payments	**13,469**	13,088
Loss on disposals of property, plant and equipment	**35,910**	8,252
Impairment of available-for sale investments	**42,324**	–
Impairment of intangible assets	**–**	40,000
Impairment of property, plant and equipment	**–**	740

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

The actual discretionary bonus paid to the directors was RMB10,699,000 (2015: RMB10,243,000).

10. EARNINGS/(LOSS) PER SHARE

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

	2016	2015
	'000	*'000*
Earning/(Loss) for the year attributable to owners of the Company for the purposes of basic and diluted earnings/(loss) per share *(RMB)*	**588,154**	(690,479)
Weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share	**2,111,795**	2,116,050

The computation of diluted earnings per share for the years ended 31 December 2016 and 2015 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

	2016	2015
	RMB'000	*RMB'000*
Dividends paid during the year: 2016 final dividend: HK$ nil (2015: 2014 final dividend: HK$0.09) per share	**–**	151,746

A final dividend HK0.1 per share (2015: HK$0.05 per share), amounting to HK$211,169,000 (2015: HK$105,584,000) in respect of the year ended 31 December 2016, equivalent to RMB187,307,000 (2015: RMB93,437,000) has been proposed by the directors and is subject to approval by the shareholders in general meeting.

12. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**1,146,024**	1,296,531
Less: allowance for doubtful debts	**(25,669)**	(2,918)
	1,120,355	1,293,613
Prepayments for raw materials	**25,851**	23,313
Value added tax receivables	**5,629**	7,757
Prepaid taxes arising from pre-sale of properties	**–**	19,445
Amount due from associates	**–**	2,107
Deposits and other receivables	**57,140**	45,918
	1,208,975	1,392,153

Included in the trade receivables are bills receivable amounting to RMB882,106,000 at 31 December 2016 (2015: RMB1,072,350,000).

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.

	2016	2015
	RMB'000	*RMB'000*
Within 90 days	**873,868**	490,307
91-180 days	**209,690**	784,301
Above 180 days	**36,797**	19,005
	1,120,355	1,293,613

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. 98% (2015: 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 RMB47,523,000 (2015: RMB39,420,000) 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.

	2016	2015
	RMB'000	*RMB'000*
91-180 days	**10,726**	20,415
Over 181 days	**36,797**	19,005
	47,523	39,420

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

	2016	2015
	RMB'000	*RMB'000*
Balance at beginning of the year	**2,918**	3,818
Provided during the year	**22,751**	
Reversal of impairment on trade receivables	**–**	(900)
Balance at end of the year	**25,669**	2,918

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$	RMB
	'000	*'000*
As at 31 December 2016	**18,093**	125,513
As at 31 December 2015	**16,136**	104,781

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

13. ENTRUSTED LOANS

	2016	2015
	RMB'000	*RMB'000*
Entrusted loans	**30,000**	336,300

As at 31 December 2016, the balances of entrusted loans were approximately RMB30 million (2015:RMB336.3 million). In the opinion of the Group, the remaining balance of RMB30 million can be fully recovered.

14. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**1,086,516**	1,358,497
Receipt in advance from customers	**107,609**	69,920
Payroll payable *(Note i)*	**173,293**	143,950
Payable for property, plant and equipment *(Note ii)*	**109,072**	87,281
Other tax payables	**108,939**	30,173
Other deposits in relation to property development project	**58,000**	58,000
Construction cost payables for properties under development for sale	**191,982**	156,957
Other payables and accruals *(Note iii)*	**115,033**	289,519
Total	**1,950,444**	2,194,297

Notes:

(i) As at 31 December 2016, included in the payroll payable is a provision for social insurance fund for employees of the PRC subsidiaries amounting to RMB56,869,000 (2015: RMB46,370,000). 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) As at 31 December 2015, 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 RMB201,000,000 (2015: RMB508,319,000). 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:

	2016	2015
	RMB'000	*RMB'000*
Within 30 days	**610,672**	472,159
31-90 days	**263,635**	306,426
91-180 days	**158,432**	309,855
181-365 days	**34,155**	250,316
1-2 years	**12,194**	9,162
More than 2 years	**7,428**	10,579
	1,086,516	1,358,497

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 2016	**3,466**	24,039
As at 31 December 2015	**3,198**	20,755

MANAGEMENT DISCUSSION AND ANALYSIS

In 2016, the overall Chinese economy remained stable, with GDP growth rate keeping at 6.7%. As a result of the adjustment of industrial structure, proportion for the secondary industry decreased to 39.8%, and it is a year full of challenges for industrial enterprises. Although foreign markets were slowly recovering, the economic situation still underwent fluctuation and international trades were improving slowly due to international politics. In response to the changes at home and abroad, the Group made proper strategic adjustment according to the actual situations to cater to the market, resulting in a further increase in the Group's revenue and profit.

1. OVERALL GROWTH IN RESULTS OF OPERATION

The Group recorded revenue of approximately RMB7,969,773,000 during the year under review, representing an increase of 13.33% over RMB7,032,486,000 in the previous year; and gross profit margin increased from 16.62% in the previous year to 20.59% during the year under review, the highest in the past four years. Net profit amounted to RMB615,466,000, also the highest since 2013. The Group's silicone business also achieved a turnaround from loss in the year under review, becoming an important component of profit growth. During the year under review, the Group focused on sales and marketing and carried out "100 Open Days to Customers" campaign to allow customers to learn more about the Group, strengthen cooperation with them, increase market share of the Group's product and highlight the Group's leading position in the industry.

2. ADHERED TO SCIENTIFIC AND TECHNOLOGICAL INNOVATION AND ACCELERATED THE REALIZATION OF "TWO ALTERNATIVES"

During the year under review, the Group achieved solid results in research and development, completed a total of 23 new products and quality improvement projects, successfully developed high-strength suspended fine powder series, water treatment membrane grade PVDF and vinyl MQ silicone resin and other new products; submitted 37 patents applications, and was granted approval of 41 patents in the period. The Group's research and development expedited made domestic fluorosilicone chemical industry move toward a higher level.

3. THE LEVEL OF AUTOMATION AND INFORMATIZATION GREATLY IMPROVED

In implementing the campaign of "Benchmarking Formosa Plastics", the Group built an effective central control system for production, operation and related processes to carry out informational and intelligent management so as to control anomalies, improve production efficiency and ensure production quality. In the year under review, Dongyue ranked among China's 100 pilot intelligent manufacturing model enterprises. On the supply side, the Group achieved informatization on procurement and feedback tracking, introduced more promising high-quality suppliers through online and offline channels. Meanwhile, it implemented quality member system and other measures to improve quality and utilization efficiency of materials, equipment and raw materials, to increase the comprehensive cost advantage and the market competitiveness of the Group.

4. OPTIMIZED JOB STRUCTURE AND IMPROVED EMPLOYEE'S WELFARE

During the year under review, the Group set up a streamlined and efficient operating mode, by removing redundant posts, sections, and employees, and streamlined organizational structure through automation and optimized the human resources. At the same time, the Group also vigorously improved employee's welfare, implemented employee promotion channels and assessment mechanism. In particular, production line employees' wages increased by about 10% over the same period last year. In addition, the Group improved employee's working environment, so as to improve employees' efficiency and morale.

5. INTRODUCED THE WORK OF "DUPONT SAFETY MANAGEMENT"

In the year under review, the Group introduced the DuPont safety system and established a long-effect safety management mechanism. The Group and DuPont signed a cooperation agreement on safety management with DuPont and introduced the DuPont's safety management system with an aim to solve the three major safety management issues, namely process safety, equipment safety and behavior-based safety. In this way, a long-effect mechanism for creating intrinsic and long-term safety was established.

6. STREAMLINED THE FINANCIAL PROCESS AND OPTIMIZED THE FINANCIAL SUPERVISION SYSTEM

During the year under review, the Group straightened out the financial process to prevent the emergence of blind spots from the processes, and strengthened the financial supervision to ensure the operation of the financial process. Built on past experiences, the Group improved the financial system with a more reasonable process and stricter supervision.

7. STRENGTHENED THE BUILDING OF CADRES' WORK STYLE AND CREATED A CLEAN ENTREPRENEURIAL TEAM

During the year under review, for promoting leadership team's ideological understanding, the Group arranged them to visit "The Road to Revival" and detention center in Beijing, where the team listened to General Wang Shuzeng's lecture on "Long March Spirit" and law classes given by public security organs, procuratorial organs and people's courts and built a strong compliant and ethnical bottomline, which would provide strong support and guarantee in line with ethnic standards for the Group's future development.

2016 marks the first year of the "13th Five-Year" plan. While making success in 2016, the Group's management has made strategic deployment for 2017:

1. MAKE GREAT EFFORTS TO IMPROVE SALES MANAGEMENT

After the market volatility in the transition period of 2016, the Group in 2017 will further increase sales management, unify office standards, improve office conditions, and provide one-stop services. In 2017, the Group will improve the quality of sales team, reduce redundant offices, clarify and elaborate on the products, market, industry and assessment, so as to improve the brand's market competitiveness.

2. PLAN THE FUTURE AROUND "TWO ALTERNATIVES"

In 2017, the Group will orientate its R&D efforts around the "two alternatives", identify innovation opportunities for fluorine silicon fine chemicals, special chemicals, high-end fluorosilicone electronics, pharmaceutical supplies and high-end applications, establish a new development mode so that the goal of "the high-end fluorosilicone could replace the traditional materials, and high-end fluorosilicone products could replace foreign products" can be achieved.

3. "BENCHMARKING DUPONT" CAMPAIGN

In 2016, the Group has introduced the "DuPont Safety Management" model. In 2017, the Group will fully promote the "Benchmarking DUPONT" strategy. In terms of safety, the Group will set up a "DuPont Safety Management" promoting team to raise employee's safety awareness through training, and establish a strict safety assessment mechanism to reduce security risks; in environmental protection, the Group will set up environmental command center for implementing strict governance and control on emissions; in health care, the Group will create a high-level occupational disease prevention and control center, to provide employees with good health care.

4. CONTINUE TO IMPROVE AUTOMATION AND INFORMATION SYSTEM

In 2017, the Group's MES management system will be fully completed to effectively guide, coordinate, supervise and provide service to all activities of the production process to ensure safe, stable, long-term and efficient production operation, promote the progress and upgrading of production technology and improve production efficiency. In the financial aspect, the Group will build ERP system, and upgrade the existing system, to realize informatization first in financial accounting.

5. FURTHER STRENGTHEN FINANCIAL MANAGEMENT

In 2017, the Group will continue to improve the financial management. Under the normal implementation of processes and supervisions straightened out in 2016, the Group will strengthen the audit function, so that the audit work will penetrate into a comprehensive operation. It will strengthen financial control, and try to report and solve problems once they are found. In addition, the Group will strictly standardize the execution of the contract and seal management and implement approval within the limits of authority. Offenders will be subject to heavier penalties and called for account.

2017 marks the 30th anniversary of the Group since its entry into this industry, and it will be a year for the Group to demonstrate its substantive results. Over the past few years, the Group has made a multifaceted response to multi-pronged challenges and completed its transition. While 2017 will be the year to test the results of reforms over the past few years. After 30 years of development, the Group has accumulated a large number of development experiences, and honed a perfect professional team, "Honing gives a sharp edge to a sword, and bitter cold adds keen fragrance to plum blossom." The team will work perseveringly to bring satisfactory returns to the shareholders and investors in 2017.

FINANCIAL REVIEW

Results Highlights

For the year ended 31 December 2016, the Group recorded revenue of approximately RMB7,969,773,000, representing an increase of 13.33% over RMB7,032,486,000 in the previous year. The gross profit margin increase to 20.59% (2015: 16.62%) and the operating results margin was 13.06% (2015: 12.67%). During the year under review, the Group recorded profit before tax of approximately RMB862,114,000 (2015: loss before tax of RMB796,717,000), and net profit of approximately RMB615,466,000 (2015: net loss of RMB680,937,000), while consolidated profit attributable to the Company's owners was approximately RMB588,154,000 (2015: loss of RMB690,479,000). Basic earnings per share was RMB0.28 (2015: basic loss of RMB0.33). During 2016, the Group's financial position turned from a loss to profit, which is mainly attributable to the absence of a one-off asset write-off amounting to RMB1,478,200,000 which was recorded in 2015 and the increase in revenue and profit during the year.

The Board recommended the payment of a final dividend of HK$0.10 (2015: HK$0.05) per share to the shareholders whose names 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 2016 and the year ended 31 December 2015:

	For the year ended 31 December 2016			For the year ended 31 December 2015		
Reportable and Operating Segments	**Revenue** *RMB'000*	**Results** *RMB'000*	**Operating Results Margin**	Revenue *RMB'000*	Results *RMB'000*	Operating Results Margin
Polymers	**2,187,639**	**245,119**	**11.20%**	1,952,624	181,247	9.28%
Organic Silicone	**1,684,716**	**81,204**	**4.82%**	1,443,021	(28,873)	(2.00%)
Refrigerants	**1,828,048**	**193,196**	**10.57%**	1,867,578	372,158	19.93%
Dichloromethane, Polyvinyl Chloride ("PVC") and Liquid Alkali	**1,211,244**	**145,147**	**11.98%**	977,928	54,046	5.53%
Property development	**871,162**	**308,204**	**35.38%**	619,233	200,133	32.32%
Others	**186,964**	**74,646**	**39.93%**	172,102	18,138	10.54%
Consolidated	**7,969,773**	**1,047,516**	**13.14%**	7,032,486	796,849	11.33%

ANALYSIS OF REVENUE AND OPERATING RESULTS

During the year under review, the economy of the PRC still grew slowly. With a shift of the focus of the industrial structure, the secondary industry's weight declined and industrial enterprises suffered to certain extent. However, thanks to the robust development of the tertiary industry, the downstream market conditions had witnessed a rebound. During the year under review, the Group had not put much new capacities into operation due to the uncertainties of future economic development.

During the year under review, the Group saw improvement in its overall results by transferring to the development model in a New Normal and seizing opportunities brought about by the economic recovery in the second half of the year despite the adjustment of domestic economy. The Group maintained its market dominance by promoting production technology, improving product quality, vigorously developing high-end new products. As a result, a majority of the Group's operating segments had seen remarkable growth over the year. Each of fluorine-containing polymers segment, the organic silicone segment, property development segment and pichloromethane, PVC and liquid alkali segment saw growth in their results for the year. Although results of the refrigerant segment decreased as compared with 2015, the Group achieved growth of its overall results in the year thanks to the substantial growth of the results of other segments.

Refrigerants

During the year under review, the refrigerant segment's revenue was RMB1,828,048,000, representing a slight decrease of 2.12% as compared with RMB1,867,578,000 in the previous year, accounting for 22.94% of the Group's total revenue (2015:26.56%); the results of the segment recorded a profit of RMB193,196,000, representing a year-on-year decrease of 48.09% (2015: profit of RMB372,158,000). The slight decrease in the refrigerant segment's revenue for the year was mainly due to continued decline in the prices of certain main refrigerants and the absence of significant increase in the demand on the downstream markets, which had contributed to the decrease of segment results. Meanwhile, the price of raw materials also rose, resulting in a significant reduction in results.

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 segment.

The Group has the largest production capacity of R22 in the world. As the backbone refrigerants product of the Group, 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. Subject to such restrictions, the Group's R22 sales can't grow without limit. After the hike-up upon the initial implementation of the quotas, the price had dropped to a low early in the year, and rebound slightly late in the year. Therefore, the R22 price was not high throughout the whole year, and as a result, R22 products' revenue decreased by 22.65% to RMB457,124,000 from RMB590,967,000 in the previous year.

A majority of refrigerant products (other than R22) had witnessed increases in their revenue, mainly including R134a, R410a and so on. This increase was due to the development of other refrigerants while R22 was under quota restriction.

Fluoropolymers

During the year,, the fluorine-containing polymers segment's revenue was RMB2,187,639,000, representing a year-on-year increase of 12.04% (2015: RMB1,952,624,000), accounting for 27.45% (2015: 27.77%)of the Group's total revenue. The decrease is mainly due to the excellent performance of the organic silicone segment and the dichloromethane, PVC and liquid alkali segment, driving down the percentage of the segment in terms of revenue. The results of the segment recorded a profit of RMB245,119,000, representing an increase of 34.5% as compared with RMB181,247,000 in the same period of the previous year. The results of fluorine-containing polymers segment for the year increased significantly due to gradual bottoming out of the market conditions of the fluorine-containing polymers to normal, year-on-year rises of prices, increases in the downstream market demand and the insignificant rise in the price of its raw material.

During the year, prices and sales of the HFP product of the Group's fluorine-containing polymers segment have witnessed a significant increase. In addition, prices and sales of PVDF, FKM and other products produced by Huaxia Shenzhou also witnessed a significant increase. The rising trend of various products has driven results of the segment to grow.

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

At present, the Group is accelerating implementation of the "two alternatives" policy, while the fluorine-containing polymers segment is one important business segment determined by the Group for implementing this policy. Therefore, the fluorine-containing polymers segment still adhered to conducting aggressive research and development, successfully developed high-strength suspended fine powder series, PVDF for water treatment membrane and other new products, and completed a number of research and development projects to improve product quality and performance.

Organic Silicone

During the year, the organic silicone segment's revenue grew by 16.75% to RMB1,684,716,000 from RMB1,443,021,000 in the previous year, accounting for 21.14% (2015: 20.52%)of the Group's total revenue. The segment recorded revenue of RMB81, 204,000, making a turnaround from a loss of RMB28,873,000 in the previous year. During the year, the market conditions of silicone improved significantly. Meanwhile, the Group's organic silicone production technology was also improved, resulting in remarkable growth of the results of the Group's silicone segment which saw its first profit since 2014, making great contribution to the growth of the Group's overall results.

Speaking by product of the segment, the proportion of simple DMC sales revenue dropped significantly, as contrast to a greater share of products such as 107 Room Temperature Vulcanizate and Raw Vulcanizate that require higher technology, driving up the results of the organic silicone segment.

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.

Growth of the segment's results for the year was credited to the breakthroughs made in the segment's research and development. The organic silicone segment of the Group has always been vigorously improving production technology, product quality and development of high-end new products. During the year, the segment developed Vinyl MQ Silicone Resin and other new products, and obtained a number of technical patents, laying a foundation for turnaround to profitability.

Dichloromethane, PVC and Liquid Alkali

During the year under review, the segment's revenue increased by 23.86% to RMB1,211,244,000 from RMB977,928,000 in the previous year, accounting for 15.2% (2015: 13.91%) of the Group's total revenue. The results of the segment recorded of a profit of RMB145,147,000, representing a year-on-year increase of 168.56% (2015: RMB54,046,000). The growth of the segment's results for the year is primarily due to the market stability of bulk chemical commodities and increases in the product prices and demand driven by downstream real estate and other industries.

Among products of the segment, PVC and Liquid Alkali's revenues have recorded a significant increase, thanks to the rebound of the real estate market in 2016.

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.

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, and 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.

As at the end of 2016, the project had sold 430 residential units with a total GFA of about 80,103 square meters, and a total of 21 commercial units with a GFA of approximately 2,553 square meters during the year. The segment recorded revenue of RMB871,162,000 for the year, representing an increase of 40.68% as compared with RMB619,233,000 in the previous year, accounting for 10.93% (2015: 8.81%) of the Group's total revenue. During the year, the results of the segment recorded a profit of RMB308,204,000(2015: a profit of RMB200,133,000), representing a year-on-year increase of 54%.

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 under review, the segment recorded a revenue of RMB186,964,000, representing an increase of 8.64% as compared with RMB172,102,000 in the previous year. The results of the segment recorded a profit of RMB74,646,000(2015: RMB18,138,000), representing a year-on-year growth of 311.54%. During the year under review, growth of the segment's results was attributable to stabilization and slight pick-up of the domestic economy. In the segment's products, Bromine recorded the largest increase, with a year-on-year growth of 17.14% in its revenue.

Distribution and Selling Expenses

During the year under review, the distribution and selling expenses increased by 12.64% to RMB283,058,000 from RMB251,284,000 of the previous year, which is attributable to an increase in sales during the year under review.

Administrative Expenses

During the year under review, the administrative expenses increased significantly by 48.44% to RMB387,610,000 from RMB261,116,000 of the previous year. The reasons for the substantial increase include: (i) an increase in employees' salary and bonus for maintaining competitiveness; and (ii) an increase in professional fee incurred from the investigation and legal matters relating to the incident of misappropriation of funds.

Finance Costs

During the year under review, the finance costs decreased by 20.34% to RMB166,229,000 from RMB208,663,000 of the previous year. This was mainly attributable to the decrease in the amount of the borrowings of the Group during the year under review.

Capital Expenditure

For the year ended 31 December 2016, the Group's aggregate capital expenditure was approximately RMB457,737,000 (2015: RMB677,769,000). The Group's capital expenditure is mainly for the acquisition of fixed assets including the equipment and facilities for the improvement of technology and upgrading the intelligence system of the Group and operation expansion.

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 2016, the Group's total equity amounted to RMB5,686,251,000, representing an increase of 12.10% as compared with that as at 31 December 2015. As at 31 December 2016, the Group's bank balances and cash totaled RMB2,082,361,000 (31 December 2015: RMB1,467,426,000). The increase in the Group's bank balances and cash is mainly attributable to (i) an increase in revenue and profit in 2016 and (ii) the collection of outstanding entrusted loans during the year. During the year under review, the Group generated a total of RMB1,546,155,000 (for the year ended 31 December 2015: RMB564,191,000) cash inflow from its operating activities. The current ratio(1) of the Group as at 31 December 2016 was 1.16 (31 December 2015: 1.07).

Considering the effect of the incident of misappropriation of funds and the relevant one-off asset write-off recorded in year ended 31 December 2015 (please refer to the 2015 annual report of the Company for more details), it did not materially undermine the working capital soundness of the Group for the year ended 31 December 2016. 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 under review, the Company repurchased and cancelled a total of 1,702,000 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 2,111,689,455 as at 31 December 2016.

As at 31 December 2016, the borrowings of the Group totaled RMB2,729,700,000 (31 December 2015: RMB3,419,366,000). The gearing ratio(2) of the Group was 10.22% (31 December 2015: 27.79%). The lower gearing ratio is mainly attributable to (i) an increase in profit during the year and (ii) a decrease in outstanding loan balance in 2016.

The Group had no particular seasonal pattern of borrowing. As at 31 December 2016, 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 RMB932,000,000 which are repayable in full after one year but not exceeding five years. The current portion of borrowings amounted to approximately RMB1,797,700,000. 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 2016 were 6.35% (2015: 5.84%) and 5.78% (2015: 6.21%) per annum, respectively. As at 31 December 2016, 18.99% (31 December 2015: 30.54%) of the Group's borrowings bear fixed interest rates.

As at 31 December 2016, the Group's borrowings were denominated in RMB only. In 2015, there were borrowings denominated in other currencies including HK and US dollars which amounting to approximately HK$120,000,000 (equivalent to approximately RMB100,536,000) and approximately US$20,625,000 (equivalent to approximately RMB133,930,000) respectively.

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

Group Structure

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

Charge on Assets

As at 31 December 2016, the Group had certain property, plant and equipment and lease prepayments with an aggregate carrying value of approximately RMB8,669,000 (31 December 2015: RMB319,591,000), and bank deposits of RMB106,703,000 (31 December 2015: RMB113,214,000), 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 5,660 employees in total as at 31 December 2016 (31 December 2015: 6,297). 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 of the Company, 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$0.10 (the "Final Dividend") (2015: HK$0.05) per share in respect of the year 2016, 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 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 2016 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 under review, the Company repurchased, on the HKSE, the Buyback Shares at a price range of HK$1.46 to HK$1.55 per share. The aggregate consideration for the Buyback Shares is approximately HK$2,591,620, which was funded from internal resources of the Company. The Buyback Shares were validly cancelled on 2 February 2016.

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 2016.

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 31 May 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 2016 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 provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules, 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. Zhang Bishu 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 2016, save as disclosed below, the Company has complied with the CG Code.

Code Provision A.2.1

There was a deviation from provision A.2.1 of the CG 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.

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.

RESUMPTION OF TRADING

Trading in the shares of the Company on the HKSE has been suspended at the request of the Company since 9:00 a.m. on 1 April 2016. An application has been made by the Company to the HKSE for trading in the shares of the Company to resume from 9:00 a.m. on 1 June 2017.

By Order of the Board
Dongyue Group Limited
Zhang Jianhong
Chairman

The PRC, 31 May 2017

As at the date of this announcement, the Board comprised Mr. Zhang Jianhong, Mr. Fu Kwan, Mr. Liu Chuanqi, Mr. Zhang Zhefeng, Mr. Zhang Bishu 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.