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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 ANNUAL RESULTS FOR THE
YEAR ENDED 31 DECEMBER 2022
AND
(2) CLOSURE OF REGISTER OF MEMBERS**

FINANCIAL HIGHLIGHTS

(in RMB million, unless otherwise stated)

	Financial Year ended 31 December	
	2022	2021
Revenue	20,028	15,844
Gross profit	6,514	5,218
Gross profit margin	32.53%	32.93%
Profit before taxation	5,125	3,244
Profit for the year	4,176	2,682
Profit for the year attributable to owners of the Company	3,856	2,075
Basic earnings per share (RMB)	1.73	0.98
Final dividend per share (HK\$)	0.60	0.34
	As at	
	31 December 2022	31 December 2021
Total Equity	18,493	15,639
Net Assets per Share (RMB)	8.28	6.93

(1) *Announcement of Annual Results for the year ended 31 December 2022*

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2022

		2022	2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	20,027,988	15,843,947
Cost of sales		(13,513,617)	(10,626,336)
Gross profit		6,514,371	5,217,611
Other income and other net gains and losses	4	229,006	182,028
Distribution and selling expenses		(498,767)	(336,451)
Administrative and other expenses		(993,740)	(913,264)
Gain on deemed disposal of an associate		1,212,290	–
Loss on disposal of a subsidiary		–	(27,377)
Research and development costs		(1,310,535)	(838,893)
Fair value changes on financial assets at fair value through profit or loss (“FVTPL”)		(37,669)	21,870
Share of results of an associate		25,401	20,291
Finance costs	5	(15,302)	(81,606)
Profit before taxation		5,125,055	3,244,209
Income tax expense	6	(948,938)	(562,664)
Profit for the year	7	4,176,117	2,681,545
Other comprehensive expense <i>Item that will not be reclassified to profit or loss:</i>			
Fair value changes on equity instruments at fair value through other comprehensive income (“FVTOCI”)		(5,830)	(234,098)
Total comprehensive income for the year		4,170,287	2,447,447
Profit for the year attributable to:			
— Owners of the Company		3,855,539	2,074,843
— Non-controlling interests		320,578	606,702
		4,176,117	2,681,545
Total comprehensive income for the year attributable to:			
— Owners of the Company		3,849,709	1,840,745
— Non-controlling interests		320,578	606,702
		4,170,287	2,447,447
Earnings per share	8		
Basic and diluted (RMB)		1.73	0.98

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Non-current Assets			
Property, plant and equipment		11,531,543	8,298,069
Right-of-use assets		923,163	838,270
Deposits paid for purchase of property, plant and equipment		409,027	471,203
Interest in an associate		88,034	198,321
Intangible assets		23,815	31,357
Equity instruments at FVTOCI	<i>10</i>	152,849	390,579
Financial asset at FVTPL		–	37,669
Deferred tax assets		85,877	42,754
Deposits paid for acquisition of a subsidiary		–	119,524
Goodwill		299,024	123,420
		<u>13,513,332</u>	<u>10,551,166</u>
Current Assets			
Inventories		1,441,712	1,535,814
Properties for sale		1,202,341	1,592,507
Trade and other receivables	<i>11</i>	3,040,268	2,689,576
Pledged bank deposits		131,302	129,611
Bank balances and cash		5,315,994	5,102,552
		<u>11,131,617</u>	<u>11,050,060</u>
Current Liabilities			
Trade and other payables	<i>12</i>	5,409,088	4,664,371
Borrowings	<i>13</i>	–	268,600
Tax liabilities		75,167	229,278
Lease liabilities		4,894	4,983
Deferred income		83,813	80,256
		<u>5,572,962</u>	<u>5,247,488</u>
Net Current Assets		<u>5,558,655</u>	<u>5,802,572</u>
Total Assets less Current Liabilities		<u><u>19,071,987</u></u>	<u><u>16,353,738</u></u>

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
Capital and reserves			
Share capital		212,196	212,338
Reserves		15,869,822	12,911,243
		<hr/>	<hr/>
Equity attributable to the owners of the Company		16,082,018	13,123,581
Non-controlling interests		2,411,459	2,515,042
		<hr/>	<hr/>
Total equity		18,493,477	15,638,623
		<hr/>	<hr/>
Non-current Liabilities			
Deferred tax liabilities		251,921	87,671
Borrowings	<i>13</i>	–	355,500
Lease liabilities		38,740	35,175
Deferred income		287,849	236,769
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		578,510	715,115
		<hr/>	<hr/>
		19,071,987	16,353,738
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, 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 is an investment holding company. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the manufacture, distribution and sale of polymers, organic silicon, refrigerants and dichloromethane, polyvinyl chloride (“PVC”) and liquid alkali and others.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company and its subsidiaries.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17 (including the October 2020 and February 2022 Amendments to IFRS 17)	Insurance Contracts ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to IAS 1	Non-current Liabilities with Covenants ³
Amendments to IAS 1	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or 1 January 2024.

The directors anticipate that the application of all new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of goods and properties.

3.1 Revenue

Disaggregation of revenue from contracts with customers:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Types of goods or service		
<i>Sales of chemical products</i>		
Polymers	6,487,010	4,825,266
Refrigerants	4,361,050	3,337,155
Organic silicon	6,648,326	4,267,829
Dichloromethane PVC and liquid alkali	1,624,811	1,537,795
	<u>19,121,197</u>	<u>13,968,045</u>
<i>Other operations</i>	<u>906,791</u>	<u>1,875,902</u>
Total	<u><u>20,027,988</u></u>	<u><u>15,843,947</u></u>

Sale of chemical products

Revenue (net of value added tax or other sales taxes) from the sale of goods is recognised at a particular point in time when customers have control of the promised goods, which is generally the time when goods are delivered to customers and customers have accepted the goods.

3.2 Operating Segments

The Group's operations are organised based on the different types of products. Information reported to the board of directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of products and property development. This is the basis upon which the Group is organised.

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

- Polymers;
- Refrigerants;
- Organic silicon;
- Dichloromethane, PVC and liquid alkali; and
- Other operations — manufacturing and sales of side- products of refrigerants segment, polymers segment, organic silicon segment and dichloromethane, PVC and liquid alkali segment, property development and rental income.

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

For the year ended 31 December 2022

	Polymers	Refrigerants	Organic Silicon	Dichloromethane PVC and liquid alkali	Other operations	Eliminations	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
External sales	6,487,010	4,361,050	6,648,326	1,624,811	906,791	-	20,027,988
Inter-segment sales	-	3,034,179	-	13,560	1,229,607	(4,277,346)	-
Total revenue — segment revenue	<u>6,487,010</u>	<u>7,395,229</u>	<u>6,648,326</u>	<u>1,638,371</u>	<u>2,136,398</u>	<u>(4,277,346)</u>	<u>20,027,988</u>
SEGMENT RESULTS	<u>1,989,578</u>	<u>1,021,356</u>	<u>463,465</u>	<u>460,302</u>	<u>32,627</u>	<u>-</u>	<u>3,967,328</u>
Unallocated corporate expenses							(26,993)
Fair value changes on financial asset at FVTPL							(37,669)
Gain on deemed disposal of an associate							1,212,290
Share of results of an associate							25,401
Finance costs							(15,302)
Profit before taxation							<u>5,125,055</u>

For the year ended 31 December 2021

	Polymers <i>RMB'000</i>	Refrigerants <i>RMB'000</i>	Dichloromethane			Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
			Organic Silicon <i>RMB'000</i>	PVC and liquid alkali <i>RMB'000</i>	Other operations <i>RMB'000</i>		
External sales	4,825,266	3,337,155	4,267,829	1,537,795	1,875,902	–	15,843,947
Inter-segment sales	–	2,464,267	–	15,611	1,135,858	(3,615,736)	–
Total revenue — segment revenue	<u>4,825,266</u>	<u>5,801,422</u>	<u>4,267,829</u>	<u>1,553,406</u>	<u>3,011,760</u>	<u>(3,615,736)</u>	<u>15,843,947</u>
SEGMENT RESULTS	<u>1,449,771</u>	<u>637,632</u>	<u>1,267,885</u>	<u>136,612</u>	<u>154,135</u>	<u>–</u>	<u>3,646,035</u>
Unallocated corporate expenses							(41,230)
Fair value changes on financial asset at FVTPL							21,870
Loss on disposal of a subsidiary							(27,377)
Share of results of an associate							20,291
Equity-settled share-based payments							(293,774)
Finance costs							<u>(81,606)</u>
Profit before taxation							<u>3,244,209</u>

Segment results represent the results of each segment without allocation of unallocated expenses and central administration costs, equity-settled share-based payments, directors' salaries, share of results of an associate, fair value changes on financial asset at FVTPL, loss on disposal of a subsidiary and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment. No segment information on assets and liabilities is presented as such information is not reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Entity-wide disclosures

Information about revenue from polymers segment by products from external customers

	2022	2021
	RMB'000	RMB'000
Polytetrafluoroethylene (PTFE)	2,354,595	2,049,729
Hexafluoropropylene (HFP)	386,677	401,913
Perfluorocyclobutane	73,106	85,919
Fluorinated ethylene propylene (FEP)	647,571	544,258
Polyvinylidene fluoride (PVDF)	2,431,615	1,360,947
Fluorine rubber (FKM)	425,932	272,308
Perfluorinated ion-exchange membrane	61,596	27,244
Vinylidene fluoride (VDF)	62,375	31,451
Others	43,543	51,497
	6,487,010	4,825,266

Information about revenue from refrigerants segment by products from external customers

	2022	2021
	RMB'000	RMB'000
Monochlorodifluoromethane (HCFC-22)	1,114,184	857,013
Tetrafluoroethane (R134a)	179,516	123,490
Pentafluoroethane (R125)	262,203	279,646
R410a	498,706	314,336
R142b	1,130,452	809,271
R152a	185,803	168,570
R32	510,333	435,087
R507A	66,623	34,753
R407C	11,967	8,145
Carbon tetrachloride	206,646	132,176
R439A	–	1,891
R404A	62,727	16,013
Others	131,890	156,764
	4,361,050	3,337,155

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

	2022	2021
	RMB'000	RMB'000
DMC (Dimethylcyclsiloxane)	182,855	36,009
107 Silicon Rubber	3,278,183	1,949,076
Raw Vulcanizate	902,825	662,555
Gross Rubber	363,820	441,813
Gaseous Silica	136,818	99,595
DMC Hydrolysate	17,105	1,036
Trimethylchlorosilane	373,615	191,119
Methyldichlorosilane	14,751	13,685
DMC Lineament	209,855	84,369
D4 (Octamethyl Cyclotetrasiloxane)	6,790	–
D3	7,582	11,343
End containing hydrogen silicone oil	115,872	106,370
End epoxy silicone oil	76,970	89,008
containing hydrogen silicone oil	240,326	81,631
End vinyl silicone oil	67,949	49,985
Dimethyl silicon oil	312,995	138,139
D5 (Decamethyl Cyclopentasiloxane)	72,192	38,319
Liquid glue	68,832	49,236
Acidic glue	54,725	56,021
Neutral glue	49,887	83,698
Methyltrichlorosilane	36,470	43,952
Epoxy silicone oil	24,413	21,124
Others	33,496	19,746
	6,648,326	4,267,829

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

	2022	2021
	RMB'000	RMB'000
PVC	213,170	544,017
Dichloromethane	406,612	371,536
Liquid alkali	1,005,029	622,242
	1,624,811	1,537,795

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

	2022	2021
	RMB'000	RMB'000
AHF (Anhydrous Fluoride)	29,574	9,038
Ammonium Bifluoride	61,304	51,884
Hydrofluoric Acid	53,978	65,443
Bromine	35,564	51,136
Fluorogypsum	13,693	13,698
Industrial salt	12,346	–
Property development	400,437	1,454,359
Others	299,895	230,344
	906,791	1,875,902

Information about major customers

There was no revenue from a single customer that contributed over 10% of the total sales of the Group for the years ended 31 December 2022 and 2021.

Geographical information

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

	2022	2021
	RMB'000	RMB'000
PRC (Country of domicile)	16,561,081	13,326,436
Asia (except PRC)		
— Japan	675,589	527,593
— South Korea	521,284	520,591
— India	177,941	86,248
— Singapore	32,363	33,179
— Thailand	28,954	23,613
— United Arab Emirates	182,963	94,340
— Pakistan	60,333	19,290
— Malaysia	69,441	40,326
— Kuwait	18,395	15,632
— Saudi Arabia	605	895
— Indonesia	30,168	22,924
— Israel	2,111	325
— Philippines	5,422	6,084
— Viet Nam	56,149	29,901
— Turkey	124,565	29,510
— Bangladesh	5,294	10,276
— Iraq	5,663	–
— Other countries	16,890	130,378
Subtotal	2,014,130	1,591,105

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
America		
— United States of America	599,880	310,936
— Brazil	136,900	45,391
— Chile	2,358	—
— Argentina	4,158	1,978
— Mexico	15,764	21,038
— Panama	3,202	870
— Canada	6,184	2,211
— Other countries	7,187	67,065
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Subtotal	775,633	449,489
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	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Europe		
— Italy	212,462	160,420
— England	19,419	10,180
— Russia	31,659	20,710
— Germany	121,943	47,788
— France	39,966	12,432
— Spain	19,413	12,239
— Belgium	99,870	121,352
— Poland	17,158	7,513
— Finland	18,935	3,209
— Other countries	7,755	11,898
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Subtotal	588,580	407,741
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	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Africa		
— South Africa	21,724	26,708
— Egypt	5,589	1,483
— Nigeria	45,639	21,509
— Other countries	4,446	5,766
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Subtotal	77,398	55,466
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Other countries/regions	11,166	13,710
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	20,027,988	15,843,947
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Over 95% of the Group's non-current assets other than financial instruments and deferred tax assets (2021: 100%) are located in the PRC as at 31 December 2022. Accordingly, no information about its non-current assets by geographical location is presented.

Other segment information

	Polymers RMB'000	Refrigerants RMB'000	Dichloromethane		Other operations RMB'000	Total RMB'000
			Organic Silicon RMB'000	PVC and liquid alkali RMB'000		
2022						
Amounts included in the measures of segment profit or loss:						
Depreciation of property, plant and equipment	192,463	272,843	255,684	94,102	89,221	904,313
Depreciation of right-of-use assets	4,499	11,150	4,993	1,219	7,853	29,714
Impairment of goodwill	-	-	-	-	37,526	37,526
Amortisation of intangible assets	12,670	1,917	184	571	878	16,220
Impairment/(reversal of impairment) on trade receivables	1,349	(14)	142	(47)	3,198	4,628
Research and development costs	470,462	409,501	312,476	67,366	50,730	1,310,535
Write-down of inventories	-	123,940	48,581	4,151	5,454	182,126
Loss on disposals of property, plant and equipment	6,167	8,165	-	5,078	1,823	21,233
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:						
Fair value changes on financial asset at FVTPL	-	-	-	-	37,669	37,669
Gain on disposal of an associate	-	-	-	-	(1,212,290)	(1,212,290)
Share of results of an associate	-	-	-	-	(25,401)	(25,401)
2021						
Amounts included in the measures of segment profit or loss:						
Depreciation of property, plant and equipment	164,065	238,071	108,300	92,111	72,263	674,810
Depreciation of right-of-use assets	4,429	11,187	4,927	1,521	6,916	28,980
Impairment of intangible asset	-	-	-	-	4,667	4,667
Amortisation of intangible assets	12,449	1,999	35	851	404	15,738
(Reversal of) impairment on trade receivables	(413)	1,836	(74)	327	(3,528)	(1,852)
Research and development costs	275,278	235,375	225,813	56,442	45,985	838,893
Write-down of inventories	-	51,478	9,156	5,710	3,572	69,916
Loss on disposals of property, plant and equipment	4,137	13,928	9,218	1,541	20,428	49,252
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:						
Fair value changes on financial asset at FVTPL	-	-	-	-	(21,870)	(21,870)
Loss on disposal of a subsidiary	-	-	-	-	27,377	27,377
Share of results of an associate	-	-	-	-	(20,291)	(20,291)

4. OTHER INCOME AND OTHER NET GAINS AND LOSSES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Other income		
Government grants (<i>Note (i)</i>)	55,520	101,882
Bank deposits interest income	80,255	76,102
Dividend income received from equity instruments at FVTOCI	–	7,200
Other interest income (<i>Note (ii)</i>)	9,136	17,996
Others	8,120	3,195
	<u>153,031</u>	<u>206,375</u>
Other net gains and losses		
Exchange difference, net	<u>75,975</u>	<u>(24,347)</u>
	<u>229,006</u>	<u>182,028</u>

Notes:

- (i) During the year ended 31 December 2022, the Group recognised government grants of RMB18,584,000 (2021: RMB30,944,000) in the consolidated statement of profit or loss. Government grants mainly represent the expenditure on research activities which are recognised as expense in the period in which they are incurred by the Group. The Group recognised these government grants as other income when there were no unfulfilled conditions or contingencies.

During the year ended 31 December 2022, in addition, the Group recognised government grant of RMB36,936,000 (2021: RMB70,938,000), which was released from deferred income, in the consolidated statement of profit or loss. The Group received subsidies from government in respect of the acquisition of property, plant and equipment for manufacturing of chemical products. Such subsidies are classified as deferred income in the consolidated statement of financial position and will be recognised in the consolidated statement of profit or loss over the estimated useful lives of the related assets.

- (ii) Included in other interest income was bills receivable of RMB9,136,000 (2021: RMB16,085,000) for the year ended 31 December 2022.

5. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interests on:		
Bank loans wholly repayable within five years	13,046	79,610
Lease liabilities	2,256	1,996
	<u>15,302</u>	<u>81,606</u>

6. INCOME TAX EXPENSE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax		
PRC enterprise income tax (“EIT”)		
— Current year	813,776	512,458
— Under(Over) provision in prior years	4,528	(18,977)
Land Appreciation Tax (“LAT”)	10,126	33,432
	<u>828,430</u>	<u>526,913</u>
Deferred tax		
— Withholding tax for distributable profits of PRC subsidiaries	91,543	68,101
— Others	28,965	(32,350)
	<u>120,508</u>	<u>35,751</u>
Income tax expense	<u>948,938</u>	<u>562,664</u>

Tax charge mainly consists of income tax in the PRC attributable to the assessable profits of the Company’s subsidiaries established in the PRC. Under the law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2021: 25%), except for certain PRC subsidiaries being awarded the Advanced-Technology Enterprise Certificate and entitled for a tax reduction from 25% to 15%.

The Company’s subsidiaries incorporated in Hong Kong is under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Pursuant to the local rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

7. PROFIT FOR THE YEAR

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(a) Staff costs (including directors' emoluments):		
Wages and salaries	1,528,692	1,014,410
Discretionary bonus	15,629	33,639
Pension scheme contributions	213,755	189,881
Equity-settled share-based payments	–	293,774
Other staff welfare	122,327	90,819
	<u>1,880,403</u>	<u>1,622,523</u>
Total staff costs		
(b) Other items:		
Amortisation of intangible assets (included in cost of sales)	16,220	15,738
Auditor's remuneration	2,566	2,323
Depreciation of property, plant and equipment	904,313	674,810
Depreciation of right-of-use assets	29,714	28,980
Impairment of intangible asset	–	4,667
Loss on disposals of property, plant and equipment	21,233	49,252
Fair value changes on financial asset at FVTPL	37,669	(21,870)
Gain on deemed disposal of an associate	(1,212,290)	–
Government grants	(55,520)	(101,882)
Impairment on other receivables	28,368	(180)
Impairment on trade receivables	4,628	(1,852)
Write-down of inventories (included in cost of sales)	182,126	69,916
	<u>182,126</u>	<u>69,916</u>

8. EARNINGS PER SHARE

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

	2022 RMB'000	2021 <i>RMB'000</i>
Profit for the year attributable to owners of the Company, used in the basic and diluted earnings per share calculations	<u>3,855,539</u>	<u>2,074,843</u>
	Number of shares	
	2022 '000	2021 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,234,416	2,120,034
Effect of dilutive potential ordinary shares: Adjustment in relation to share options issued by the Company	<u>–</u>	<u>773</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,234,416</u>	<u>2,120,807</u>

During the year ended 31 December 2022, 25,974,000 (2021: 18,460,000) ordinary shares were purchased under employee option scheme.

The Company repurchased and cancelled 1,051,000 shares of its own ordinary shares of the Company during the year ended 31 December 2022 (2021: 1,499,000).

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the years ended 31 December 2022 and 2021 has been arrived at after deducting the shares held in trust for the Company.

9. DIVIDENDS

	2022 RMB'000	2021 <i>RMB'000</i>
Dividends paid during the year 2022: 2021 final dividend of HK\$0.34 (2021: 2020 final dividend of HK\$0.14) per share	<u>625,229</u>	<u>246,259</u>

Subsequent to the end of the reporting period, a final dividend HK\$0.60 per share (2021: HK\$0.34 per share), amounting to HK\$1,352,213,000 (2021: HK\$766,254,000) in respect of the year ended 31 December 2022, equivalent to RMB1,196,613,000 (2021: RMB620,666,000) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

10. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
Unlisted equity securities, at fair value			
China MinSheng Investment Co., Ltd (“CMIC”)	<i>(a)</i>	10,671	11,723
Taihe Asset Management Co. Ltd. (“Taihe”)	<i>(b)</i>	57,163	70,531
Hainan Guji Investment Partnership (limited partnership) (“Hainan Guji”)	<i>(c)</i>	32,321	254,599
Zibo Runxin Dongyue New Material Equity Investment Fund Partnership (limited partnership) (“Zibo Runxin”)	<i>(d)</i>	52,694	53,726
		152,849	390,579

The above unlisted equity instruments represent the Group’s equity interest in several private entities established in the PRC. The directors of the Company have elected to designate these investments in equity instruments at FVTOCI as they are held for long-term strategic purposes.

In determining the fair value of unlisted equity instruments, the Group engages an independent professional valuer to perform such valuation. The amount is determined based on the cash flow projection for the estimated future cash flow discounted to its present value and requires the use of key assumptions, including the discount rate, terminal growth rate, budgeted revenue and gross margin taking into account the relevant industry growth forecasts and financial budgets approved management’s expectation for the market development and the market approach, based on trading multiples derived from publicly traded companies that are similar to the subject company.

Notes:

- (a) CMIC, a private enterprise initiated by the All-China Federation of Industry and Commerce and approved by the State Council of the PRC, is principally engaged in equity investment and assets management. The Group held 1,400,000,000 shares in CMIC at a consideration of RMB1,580,000,000, and the equity interest in CMIC held by the Group was 2.8% as at 31 December 2022 and 2021. Based on CMIC’s financial statements for the years ended 31 December 2022 and 2021, and having considered the macroeconomic downturn, and the continuous deleveraging as well as the dual pressure on high level of corporate debts, the funding situation and cash flow of CMIC were very tight, and the financial position has remained sluggish. As a result, the directors of the Company considered, and as agreed by the independent professional valuer engaged by the Group, the fair value of the Group’s investment in CMIC was approximately RMB10,671,000 as at 31 December 2022 (2021: RMB11,723,000). Accordingly, a fair value loss of approximately RMB1,052,000 (2021: RMB187,040,000) was recognised for the year ended 31 December 2022 which had been included in other comprehensive expense of the Group.

- (b) Taihe is a private entity and was established in the PRC. Taihe was principally engaged in inter alia, asset management and bulk transfer of non-performing assets of financial enterprises in Shandong Province, the PRC. The Group and other partners established Taihe and the registered capital amount of Taihe was RMB10,000 million, of which the register capital amount contributable by the Group was RMB600 million, representing 6% of the total registered capital of Taihe. Up to 31 December 2022, the Group has paid RMB120 million. As at 31 December 2022 the directors of the Company considered the fair value of the investment of Taihe was approximately RMB57,163,000 (2021: RMB70,531,000) and a fair value loss of approximately RMB13,368,000 (2021: RMB16,883,000) which had been recognised in other comprehensive expense of the Group for the year ended 31 December 2022. No dividend has been received by the Company (2021: RMB7,200,000) from Taihe during the year ended 31 December 2022.
- (c) Hainan Guji is a limited partnership established in the PRC. It has through its subsidiary committed to contribute an aggregate of approximately RMB182,000,000 to the registered capital of two industrial silicon companies.

During the year ended 31 December 2021, the Group made capital contribution of RMB278,500,000 to Hainan Guji, representing 89.73% of equity interest of Hainan Guji. As the Hainan Guji was managed and controlled by a general partner which was not a company controlled by the Company, in the opinion of the directors of the Company, the Company was not in a position to exercise control over this company. The directors of the Company have elected to designate this investment in equity instruments at FVTOCI as they are held for long-term strategic purposes.

During the year ended 31 December 2022, the Group received refund from Hainan Guji of RMB238,400,000, and the Group also acquired the subsidiary, Sichuan Southwest Sunshine Silicon Technology Co., Ltd (“Sunshine Silicon”) from Hainan Guji with a consideration of RMB322,000,000.

As at 31 December 2022, the directors of the Company considered, and as agreed by the independent professional valuer engaged by the Group, the fair value of the investment in Hainan Guji was approximately RMB32,321,000, and a fair gain of approximately RMB16,122,000 which had been received in other comprehensive expense of the Group for the year ended 31 December 2022.

- (d) Zibo Runxin is a limited partnership fund established in the PRC, which is expected to primarily invest in fluoro-chemical, organic silicon, membrane materials and hydrogen-related industries.

On 12 January 2021, Dongyue Fluorosilicone Science and Technology Group Co., Ltd. (“Dongyue Fluorosilicone Technology”) and Shangdong Dongyue Organosilicon Co., Ltd. (“Dongyue Organosilicon”), both subsidiaries of the Company, entered into a partnership agreement with Huantai Province Jinhai Kongyou Capital Operation Co., Ltd. (“Huantai Jinhai”), China Capital Management Co., Ltd. (“China Capital”) and Zibo Juqiang Trading Co., Ltd. (“Zibo Juqiang”) in relation to the establishment of the fund.

Pursuant to the partnership agreement, the initial capital contribution to the fund is in total RMB500,000,000, comprising RMB125,000,000, RMB75,000,000, RMB125,000,000 and RMB75,000,000 to be contributed to the fund by Dongyue Fluorosilicone Technology, Dongyue Organosilicon, Huantai Jinhai and Zibo Juqiang, respectively, as limited partners, and RMB100,000,000 by China Capital as the general partner. The capital contribution to the fund will be made in stages in accordance with the partnership agreement.

During the year ended 31 December 2021, the Group made capital contribution of RMB60,000,000 to Zibo Runxin, representing 33.66% of equity interest of Zibo Runxin. As the Zibo Runxin was managed and controlled by a general partner which was not a company controlled by the Company, in the opinion of the directors of the Company, the Company was not in a position to exercise control over this company. The directors of the Company have elected to designate this investment in equity instruments at FVTOCI as they are held for long-term strategic purposes.

During the year ended 31 December 2022, the Group made further capital contribution of RMB6,500,000 to Zibo RunXin, and the equity interest in Zibo RunXin held by the Group was 36.44% as at 31 December 2022.

As at 31 December 2022, the directors of the Company considered, and as agreed by the independent professional valuer engaged by the Group, the fair value of the investment in Zibo Runxin was approximately RMB52,694,000, and a fair value loss of approximately 7,532,000 which had been recognised in other comprehensive expense of the Group for the year ended 31 December 2022.

11. TRADE AND OTHER RECEIVABLES

	2022	2021
	RMB'000	RMB'000
Trade receivables (<i>note</i>)	2,140,206	2,309,447
Less: allowance for credit losses	(6,888)	(2,260)
	2,133,318	2,307,187
Prepayments for raw materials	95,511	115,069
Tax recoverables	245,596	80,007
Deposit paid for property development	21,000	38,000
Receivable for disposal of associate	406,474	–
Deposits and other receivables	138,369	149,313
	3,040,268	2,689,576

Note: Included in the trade receivables are bills receivables amounting to RMB1,779,458,000 at 31 December 2022 (2021: RMB2,015,258,000).

Customers are generally granted with credit period ranged between 30–90 days for trade receivables. Bills receivables are generally due in 90 days or 180 days. The following is an aging analysis of trade and bills receivables, net of allowance for credit losses presented based on the invoice date.

	2022	2021
	RMB'000	RMB'000
Within 90 days	1,006,429	1,736,823
91–180 days	1,055,095	569,118
181–365 days	71,794	1,246
	<u>2,133,318</u>	<u>2,307,187</u>

12. TRADE AND OTHER PAYABLES

	2022	2021
	RMB'000	RMB'000
Trade payables	2,611,778	2,588,251
Contract liabilities — sale of chemical products	168,277	232,921
Contract liabilities — sale of properties	511,263	612,994
Payroll payable (<i>Note (i)</i>)	837,416	439,263
Payable for property, plant and equipment (<i>Note (ii)</i>)	766,449	279,480
Other tax payables	57,708	61,419
Construction cost payables for properties under development for sale	112,997	128,924
Other payables and accruals	343,200	321,119
	<u>5,409,088</u>	<u>4,664,371</u>

Notes:

- (i) As at 31 December 2022, included in the payroll payable is a provision for social insurance fund for employees of the PRC subsidiaries amounting to RMB41,123,000 (2021: RMB25,613,000). 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.

13. BORROWINGS

	2022 RMB'000	2021 <i>RMB'000</i>
Unsecured bank loans	–	584,100
Secured bank loans	–	40,000
	–	624,100
Less: amounts due within one year shown under current liabilities	–	(268,600)
Amounts show under non-current liabilities	–	355,500
Carrying amounts are repayable as follows:		
Within one year	–	268,600
More than one year, but not exceeding two years	–	355,500
	–	624,100

MANAGEMENT DISCUSSION AND ANALYSIS

During this exceptional year of 2022, various unstable economic factors had struck both the domestic and global market, causing significant uncertainties to the fluorosilicon chemical industry and the overall market. Such uncertainties had also brought both opportunities and challenges to the Group. Through our advanced technology, high product quality and a comprehensive industrial chain, the Group firmly seized all these opportunities arisen from market volatility and brought substantial growth to the Group's financial performance, helping the Group achieve the best financial results in the Group's history, a satisfactory response to the 35th anniversary of the Group.

BUSINESS REVIEW

I. Breakthrough in delivering the best performance in history

In 2022, market adjustments created exceptional opportunities. The Group had long been prepared for these remarkable opportunities. Since the Group's comprehensive layout of industrial chain was fully capable of satisfying all needs from different markets, the Group would seize these opportunities when they appeared, and contributed significant growth to the Group's financial performance. During the year, the Group's revenue reached RMB20,027,988,000, representing a year-on-year growth of 26.41%. Profit attributable to owners of the Company reached RMB3,855,539,000, representing a year-on-year growth 85.82%.

During the year, a number of product markets of the Group performed well, among which the PVDF industrial chain products were the most remarkable. Driven by the strong demand from the downstream new energy sector, the Group's PVDF industrial chain products have become the most noteworthy in the market. With advanced technology, comprehensive industrial chain and large production scale, the Group has become a key PVDF supplier to the downstream clients in the new energy sector, and PVDF industrial chain products have become an important growth component for the Group. Meanwhile, the Group's other products, through persistent efforts, overcame all kinds of challenges, such as the pandemic, international situation, constraint on production capacity increase, and allocation adjustment, to achieve diverse success and contribute significant improvement to the Group's overall performance.

II. Progress in technological development

During the period under review, the Group established Shandong Dongyue Research Institute Co., Ltd. for the optimization of the technological management system and the coordination of 6 R&D centers of the Group around the world to provide the Group's scientific research innovation and business promotion with all-rounded support. As a result, the potential of technological innovation was gradually released. Currently, the number of R&D expertise in the Group has increased to

over 800, of which more than 40% are expertise with doctoral and master degrees. During the year, the Group successfully established cooperative relationships with more than 60 universities and research institutes domestically and around the world. We established 22 joint laboratories, and carried out 88 cooperative projects. At the same time, the scientific research of the Group had achieved fruitful results, with 142 new product grades added during the year. The market promotion of new products was in good condition. The revenue from new products and high-end products reached a record high. In addition, the Group received 78 newly authorized patents, and we organized and participated in the completion of 23 various standards, including 5 national standards, 3 industry standards and 15 group standards, during the year. The Group's R&D expense during the year was approximately RMB1,310,535,000, representing a year-on-year growth of 56.22%. The R&D expense has increased to various degrees for 7 consecutive years.

III. Creation of new increase through project construction

2022 was a harvesting year for the new projects of the Group. During the year, the Group completed a total of 10 new construction, reconstruction and expansion projects, and a total of 141 projects in quality improvement, energy saving, consumption reduction, and automation improvement. Among them, the new 10,000-ton/year PVDF project that drew the most attention in the market was completed in the second half of the year, and the "300,000 tons/year organosilicon monomer and 200,000 tons/year organosilicon downstream product processing project" of Dongyue Organosilicon were also completed and put into operation to generate economic benefits during the year. The Group has built many projects in recent years. The adoption of new technologies, new processes and new equipment has played an important role in improving the safety, management, operating efficiency and product quality of the Group, providing a solid foundation for the Group to achieve high-quality development.

IV. Safeguarding production efficiency by safety and environmental protection

During the period under review, the production and operation of the Group remained stable and efficient, with the average capacity utilization rate of our facilities reaching over 90%. Such production efficiency is the result of the Group's long-term adherence to safe and environmental-friendly production measure, which has provided a stable guarantee for the operation of the Group's entire industrial chain, and enabled the Group to increase market share in a shortage market.

In addition, due to the rapid changes in the pandemic during the year, prevention and control became more challenging. To ensure the efficiency of production and operation, the Group properly formulated a contingency plan and coordinated with multiple parties during the severe pandemic. All employees devoted their utmost effort against all challenges to ensure normal production and operation, and maintained high-efficiency production for the Group during the pandemic.

V. Enhanced Structure of Assets and Liabilities

In recent years, the remarkable operating condition and abundant cash flow had helped the Group complete a number of special establishments and enhance the overall product quality. Meanwhile, through lowering our bank loan facility, adjusting account payables, the Group's debt situation maintained in healthy position. During the year, the Group's asset and liability structure had further improved. Financial cost came in at RMB15,032,000, down 81.25% year-on-year. Debt ratio was 24.96%, improved 2.64% points compared to 2021. Operating in low leverage had further lowered the Group's financial risk.

VI. Creation of a compliant management system

During the period under review, the Group focused to promote compliant operation mechanisms such as compliance risk assessment, compliance review, compliance assessment and evaluation. The Group established a new compliant management system, practising the operation policy "compliant management enables stable and sustainable development" of Dongyue, while setting rules and regulations to build a solid foundation for the construction of the compliance system to safeguard the sustainable and healthy development of the Group.

PROSPECT

Although the Group achieved the best financial performance in history in 2022, hidden risks still existed in the market. During the fourth quarter of 2022, some of the Group's product market had trended downward with declining product prices. With various factors that may impact the market, such as expanded production capacity, adjustment in the downstream market, and changes in the foreign trading markets, we expect more uncertainties in the market for 2023. Therefore, the Group should be prepared for all potential risks with prudent operations in 2023. In this regard, the Group will introduce the following plans to cope with the upcoming market changes:

1. Full support to technological innovation

Technology is an important competitive advantage in the market. The Group places great importance to independent research and development to create value for the Group. In the future, the Group will continue to increase scientific research efforts, promote research and development of new products and new applications, ensure adequate resources required for research and development innovation, and fully support technological innovation. The Group will place specific focus on R&D, new products and new applications to find breakthrough and add value to the Group.

2. Raising awareness and our standard of safety and environmental protection

Safety and environmental protection are the basic guarantees for normal production and operation. The Group has always maintained high standards and strict requirements in terms of safety and environmental protection. The Group will adhere to the upgrade on high standards of safety and environmental protection, and achieve safe, stable, long cycled, fully-utilized and high-efficiency operation for all devices. In terms of safety, the Group will further increase the updates and automation of the safety equipment, and eliminate potential safety hazards by means of information technology. In terms of environmental protection, the Group will adhere to green development and promote environmental governance towards the goal of a low-carbon ecological park. In addition, to adhere to the concept of sustainable development, undertake social responsibilities, and focus on environmental science research, the Group will establish an environmental science research institute to develop corresponding solutions for customer needs and social environment, and determine environmental goals, governance standards and targets, and the data for the effective control on new pollutants.

3. Promoting the implementation of the new project development plan

In 2023, the Group will continue to promote the implementation of significant project development plans. The most important ones are the research on high-end fine chemicals and the value-added innovation of comprehensive utilization of by-products. In addition, the Group will also ensure the increase of planned construction capacity, improvement on quality, energy-saving renovation, safety and environmental protection, comprehensive utilization, and the operation of supporting projects in orders. The implementation of the projects above will play a key role to improve future production efficiency and the production scale of the Group.

4. Improving management level and strengthening internal control system

In recent years, the Group has comprehensively improved its management level through various measures such as risk control management, compliance management, and improvement of process systems. The Group also standardized and supervised the implementation of policies through measures such as internal audit, inspection and supervision, etc. In the future, the Group will continue to promote the operation and optimization of the compliant management system, and implement the management concept of “compliant management enables stable and sustainable development”. In terms of discipline inspection and supervision, the Group will create an excellent atmosphere of compliant operation and in compliance with law to ensure the healthy development of the Group. In addition, the Group will also optimize the assessment system, and give incentives to those who have innovative contributions, professional value, and capability for advanced management, as well as talents in junior positions, so as to ensure to spot on outstanding talents.

5. Empower internal strength, conserve resources, cost cutting and fees control

“Empower Internal Strength” is the most effective method to cope with the changes of external environment. To deal with the severe market environment, the Group will strengthen technology breakthrough, promote operating efficiency on production equipment, and cut costs to strengthen our market competitiveness. In addition, the Group will also place stringent budget control to improve efficiency on expenditures with strict and standardized rules to help maximize profit.

6. Gradual withdrawal of real estate business to define future development direction

The Group has been cautious with its real estate business since it started to be engaged in this segment in 2011. According to the prevailing industry situation, the Group has determined to gradually withdraw from the real estate industry since early 2020. Since then, the Group’s real estate business has almost come to an end and the Group has no plan to continue to expand its business in the next step. The Group will continue to focus on the development of its principal business of “fluorine, silicon, membrane and hydrogen” and further expand related businesses both upstream and downstream of the industrial chain, so as to refine and deepen its business in the fluorine and silicon industry and lay the foundation for the Group’s sustainable development in the future.

2023 will be a year full of challenges that will test the resilience, mentality, determination and capability of the Company. To confront huge challenges, we will devote our maximum effort on new development in accordance with the strategy and development plan formulated by the management. Meanwhile, we will maintain a state of urgency, cautiousness and responsibility, and work hard for the creation of a golden industry, comprising of “fluorine, silicon, membrane, hydrogen”. Together with our effort to thrive satisfactory financial performance to pay back all the long-term trust and support from our investors.

FINANCIAL REVIEW

Results Highlights

For the year ended 31 December 2022, the Group recorded revenue of approximately RMB20,027,988,000, representing an increase of 26.41% over RMB15,843,947,000 in the previous year. Gross profit margin slightly decreased to 32.53% (2021: 32.93%) and the operating margin was 19.81% (2021: 23.01%). The Group recorded profit before tax of approximately RMB5,125,055,000 (2021: RMB3,244,209,000), and net profit of approximately RMB4,176,117,000 (2021: RMB2,681,545,000), while consolidated profit attributable to the Company’s owners was approximately RMB3,855,539,000 (2021: RMB2,074,843,000). Basic earnings per share was RMB1.73 (2021: RMB0.98).

The Board recommended the payment of a final dividend of HK\$0.60 (2021: HK\$0.34) per share to the shareholders whose names appear on the shareholder’s registrars of the Company on 20 June 2023.

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 2022 and 2021:

	For the year ended 31 December 2022			For the year ended 31 December 2021		
	Revenue <i>RMB'000</i>	Results <i>RMB'000</i>	Operating Results Margin	Revenue <i>RMB'000</i>	Results <i>RMB'000</i>	Operating Results Margin
Fluoropolymers	6,487,010	1,989,578	30.67%	4,825,266	1,449,771	30.05%
Organic Silicon	6,648,326	463,465	6.97%	4,267,829	1,267,885	29.71%
Refrigerants	4,361,050	1,021,356	23.42%	3,337,155	637,632	19.11%
Dichloromethane, Polyvinyl Chloride ("PVC") and Liquid Alkali	1,624,811	460,302	28.33%	1,537,795	136,612	8.88%
Others	906,791	32,627	3.60%	1,875,902	154,135	8.22%
Consolidated	<u>20,027,988</u>	<u>3,967,328</u>	<u>19.81%</u>	<u>15,843,947</u>	<u>3,646,035</u>	<u>23.01%</u>

Analysis of Operating Results

During the period under review, due to the different changes on supply and demand of our products, their respective market prices also recorded changes in different degrees, which led to variations on sales revenue and performance results for each segment of the Group. Particularly, in terms of external sales revenue, the fluoropolymers, refrigerants, and organic silicon segments increased significantly. In terms of segment results, the fluoropolymers, refrigerants, dichloromethane, PVC and liquid alkali segments recorded relatively high growth, while the organic silicon segment recorded an obvious year-on-year decline.

Fluoropolymers

During the period under review, the external sales of fluoropolymers segment was RMB6,487,010,000, representing a year-on-year increase of 34.44% (2021: RMB4,825,266,000), accounting for 32.39% (2021: 30.45%) of the Group's total external sales. The segment results recorded a profit of RMB1,989,578,000, representing an increase of 37.23% as compared with RMB1,449,771,000 in the same period of the previous year.

During the year, due to the developing progress of the lithium battery industry in the PRC, the PVDF market, an important business product segment of the fluoropolymer materials, continuing its flourishing momentum from 2021, recorded relatively high average product prices. In addition, the expansion of the PVDF product production capacity also contributed to the revenue and performance results. Therefore, the external sales revenue and performance results of the fluoropolymer materials segment further increased year-on-year. However, judging from the overall market situation of the year, the price trend of PVDF products went from high to low, and unable to maintain at the high level compared with the beginning of the year.

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, high aging tolerance and chemical resistant level 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 specialised fluorinated material, 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 formed another major production category of Huaxia Shenzhou.

Refrigerants

During the period under review, the external sales of the refrigerants segment increased by 30.68% to RMB4,361,050,000 from RMB3,337,155,000 in the previous year, accounting for 21.77% (2021: 21.06%) of the Group's total external sales. The segment results recorded a profit of RMB1,021,356,000, representing an increase of 60.18% from a profit of RMB637,632,000 in the same period of the previous year.

During the year, some major products of the refrigerants segment performed well. Particularly, R22 was in shortage due to quota restrictions, while the downstream market development had led to rising demand, resulting in a stable price level. Since the R142b product was related to the PVDF industry chain, its demand was strong due to the impact of the lithium battery market. In addition, during the period under review, the expanded production capacity of several refrigerant products also contribute to the revenue and performance results of this segment.

The Group has the largest production capacity of R22 in the world. Being the Group's backbone refrigerant products, R22 is an important refrigerant among all kinds. Besides, R22 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 coolant and air-conditioning systems in automobiles, 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, and intermediates of aviation propellant, it can also be one of the main raw materials for the production of VDF.

Organic Silicon

During the year, the external sales of the organic silicon segment increased by 55.78% to RMB6,648,326,000 from RMB4,267,829,000 in the previous year, accounting for 33.20% (2021: 26.94%) of the Group's total external sales. The segment results recorded a profit of RMB463,465,000, representing a decrease of 63.45% from a profit of RMB1,267,885,000 in the previous year.

During the period under review, the production expansion project of the organic silicon segment was officially completed and was placed into operation to create economic benefits, thus significantly increased its external sales revenue. However, due to the impact of factors, such as international economic environment, national industrial and environmental policies and additional production capacity in the industry, on the organic silicon market during the year, the price of its main products recorded a significant decline, resulting in a decline in the performance results of this segment.

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

Dichloromethane, PVC and Liquid Alkali

During the year under review, the segment's external sales increased by 5.66% to RMB1,624,811,000 from RMB1,537,795,000 in the previous year, accounting for 8.11% (2021: 9.71%) of the Group's total external sales. The segment results recorded a profit of RMB460,302,000, representing a year-on-year increase of 236.94% (2021: profit of RMB136,612,000). The products of this segment are chemical commodities, which are greatly affected by economic changes. During the year, the market for caustic soda, the main product of this segment, was booming, and the price of the products rose, which played an important role in the growth of the segment's performance.

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

Others

During the period under review, the external sales of the segment was RMB906,791,000, representing a decrease of 51.66% as compared with RMB1,875,902,000 in the previous year. The segment results recorded a profit of RMB32,627,000 (2021: RMB154,135,000), representing a year-on-year decrease of 78.83%. The decrease in the results of this segment was mainly due to the decrease in the Group's real estate business. The Group has been cautious with its real estate business since it started to be engaged in this segment in 2011. According to the prevailing industry situation, the Group has determined to gradually withdraw from the real estate industry since early 2020. Since then, the Group's real estate business has almost come to an end and the Group has no plan to continue to expand its business in the next step. As such, the results of the real estate business decreased during the year, resulting in a decrease in the results of this segment.

This segment included the revenue from the production and sales of other by-products of the operating segments of the Group, such as Ammonium Bifluoride, Hydrofluoric Acid and Bromine, and real estate business, etc..

Distribution and Selling Expenses

During the year under review, the distribution and selling expenses increased by 48.24% to RMB498,767,000 from RMB336,451,000 of the previous year. The increase in distribution and selling expenses was due to the increase in revenue from external sales.

Administrative Expenses

During the year under review, the administrative expenses increased by 8.81% to RMB993,740,000 from RMB913,264,000 of the previous year. The increase in administrative expenses was due to an increase in staff remuneration as a result of the growth in results.

Finance Costs

During the year under review, the finance costs decreased by 81.25% to RMB15,302,000 from RMB81,606,000 of last year. The substantial decrease in the Group's financing costs was due to the reduction in the amount of the Group's loans. As of 31 December 2022, the Group had repaid all loans.

Capital Expenditure

For the year ended 31 December 2022, the Group's aggregate capital expenditure was approximately RMB3,923,933,000 (2021: RMB4,803,248,000). The Group's capital expenditure is mainly allocated for the construction of the new production lines.

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 2022, the Group's total equity amounted to RMB18,493,477,000, representing an increase of 18.26% as compared with that as at 31 December 2021. As at 31 December 2022, the Group's bank balances and cash totalled RMB5,315,994,000 (2021: RMB5,102,552,000). The increase in the Group's bank balance and cash is attributable to the increase in cash flow from operating activities. During the year under review, the Group generated a total of RMB5,082,541,000 (2021: RMB3,914,053,000) net cash inflow from its operating activities. The current ratio⁽¹⁾ of the Group as at 31 December 2022 was 2.00 (31 December 2021: 2.11).

Taking the above figures into account, together with the available bank balances and cash, the unutilised banking credit facilities, bank's support and the Group's sufficient operational cash flows, the management is confident that the Group has adequate resources to settle any debts and to finance its daily operational and capital expenditures.

Capital Structure

Save for (1) the repurchase and cancellation of a total of 1,501,000 ordinary shares of the Company and (2) the disclosed in the section headed “Employee Option Scheme” in this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year under review. The number of issued shares of the Company was 2,253,689,455 as at 31 December 2022.

As at 31 December 2022, the Group has no balance of borrowings (2021: RMB624,100,000). The gearing ratio⁽²⁾ of the Group was -28.75% (2021: -28.64%). The negative gearing ratio as at 31 December 2022 represents the Group is “net cash” positive (i.e. has more cash & equivalents than its debt) which is usually a good sign.

The Group had no particular seasonal pattern of borrowing. 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 2022 were 3.91% (2021: 4.30%) and 4.35% (2021: 1.17%) per annum, respectively. As at 31 December 2022, none (31 December 2021: 89.55%) of the Group’s borrowings bear variable interest rate.

As at 31 December 2022 and 2021, the Group’s borrowings were denominated in RMB only.

Notes:

(1) Current Ratio = Current Assets ÷ Current Liabilities

(2) Gearing Ratio = Net Debt ÷ Total Equity

Net Debt = Total Borrowings – Bank Balances and Cash

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 2022, the Group’s bank deposits of RMB131,302,000 (2021: RMB129,611,000) were used for deposits of bills payable and supervision deposit from presale of properties. In accordance with the requirements of the PRC property industry, the property companies are required to deposit supervision deposits in their escrow accounts, which cannot be used until the completion of construction and the provision of residential mortgage loans for the customers. As at 31 December 2022, the relevant bank deposits were RMB87,958,000 (2021: RMB124,145,000).

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.

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 7,065 employees in total including 6,642 males and 423 female as at 31 December 2022 (2021: 6,824). The Group implemented its remuneration policy and bonus based on the performance of the Group and its employees. The Group provided benefits such as social insurance, employee option scheme and pensions to ensure remuneration competitiveness.

OTHER INFORMATION

Final Dividend

The Directors recommend the payment of a final dividend of HK\$0.60 (the "Final Dividend") (2021: HK\$0.34) per share in respect of the year ended 31 December 2022, to the shareholders whose names appear on the register of members of the Company (the "Register") on 20 June 2023, 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 9 June 2023. 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 2022 and all Directors confirmed that they have fully complied with the relevant requirements set out in the Model Code during the year.

Employee Option Scheme

42,784,000 Shares in the amount of HK\$530,649,000 are held by the Trustee under the Employee Option Scheme as at 31 December 2022, in which 25,974,000 Shares in the amount of HK\$230,541,000 have been purchased during the year ended 31 December 2022. No Options have been granted under the Employee Option Scheme during the reporting period.

Under the Employee Option Scheme, up to 31 December 2022, the Company have contributed HK\$797,823,000 in total to purchase existing Shares from the market since the set up of the scheme.

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

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

During the year, the Company repurchased, on the Stock Exchange of Hong Kong Limited (the "HKSE"), a total of 1,501,000 ordinary shares of the Company (the "Buyback Shares") at a price range of HK\$10.58 to HK\$11.1 per share. The aggregate consideration for the Buyback Shares is approximately HK\$16,403,120, which was funded from internal resources of the Company.

The Buyback Shares were validly cancelled on 25 February 2022.

Audit committee

The audit committee of the Company was established on 16 November 2007 in accordance with the Listing Rules. The existing audit committee comprises Mr. Ting Leung Huel, Stephen (Chairman), Mr. Yang Xiaoyong and Mr. Ma Zhizhong, all being independent non-executive Directors.

Scope of work of Messrs. Elite Partners CPA Limited

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Elite Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Elite Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Elite Partners CPA Limited on the preliminary announcement.

The audit committee met with the management on 24 March 2023, 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 2022 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. Wang Weidong and Mr. Zhang Bishu (passed away on 21 June 2022) were appointed as the members of the corporate governance committee.

Risk Management Committee

The 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. Ma Zhizhong were appointed as the members of the risk management committee.

Announcement of Annual Results and Publication of Annual Report

This annual 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 April 2023.

Closure of Register of Members

The Board announces that the Register will be closed from 6 June to 9 June 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, not later than 4:30 p.m. on 5 June 2023.

The Board further announces that the Register will be closed from 16 June to 20 June 2023, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 15 June 2023.

The expected date for payment of the Final Dividend is 13 July 2023.

By Order of the Board
Dongyue Group Limited
Zhang Jianhong
Chairman

The PRC, 28 March 2023

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