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 2023 AND (2) CLOSURE OF REGISTER OF MEMBERS

FINANCIAL SUMMARY

(Unless otherwise specified, presented in millions of RMB)

	2023	2022
Revenue	**14,493**	20,028
Gross profit	**2,436**	6,514
Gross Profit Margin	**16.81%**	32.53%
Profit before taxation	**653**	5,125
Profit for the year	**611**	4,176
Profit for the year attribute to owners of the Company	**708**	3,856
Basic earnings per share (RMB yuan)	**0.32**	1.73
Final dividends per share (HK$)	**0.10**	0.60

	For the year ended 31 December 2023	For the year ended 31 December 2022
Total equity	**16,938**	18,493
Net assets per share (RMB yuan)	**7.71**	8.28

(1) Announcement of Annual Results for the year ended 31 December 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Revenue	3	**14,493,323**	20,027,988
Cost of sales		**(12,057,192)**	(13,513,617)
Gross profit		**2,436,131**	6,514,371
Other income and other net gains and losses	4	**269,157**	229,006
Distribution and selling expenses		**(503,038)**	(498,767)
Administrative and other expenses		**(647,286)**	(993,740)
Gain on deemed disposal of an associate		**–**	1,212,290
Research and development cost		**(935,099)**	(1,310,535)
Fair value changes on financial assets at fair value through profit or loss ("FVTPL")		**–**	(37,669)
Share of results of an associate		**34,965**	25,401
Finance costs	5	**(1,659)**	(15,302)
Profit before taxation		**653,171**	5,125,055
Income tax expense	6	**(42,086)**	(948,938)
Profit for the year	7	**611,085**	4,176,117
Other comprehensive expense item that will not be reclassified to profit or loss:			
Fair value changes on equity instruments at fair value through other comprehensive income ("FVTOCI")		**(15,449)**	(5,830)
Total comprehensive income for the year		**595,636**	4,170,287
Profit for the year attributable to:			
— Owners of the Company		**707,793**	3,855,539
— Non-controlling interests		**(96,708)**	320,578
		611,085	4,176,117
Total comprehensive income for the year attributable to:			
— Owners of the Company		**692,344**	3,849,709
— Non-controlling interests		**(96,708)**	320,578
		595,636	4,170,287
Earnings per share	8		
— Basic and diluted (RMB)		**0.32**	1.73

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	**2023** *RMB'000*	2022 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**12,193,145**	11,531,543
Right-of-use-assets		**866,630**	923,163
Deposits paid for purchase of property, Plant and equipment		**222,722**	409,027
Interest in an associate		**469,130**	88,034
Intangible assets		**17,345**	23,815
Equity instruments at FVTOCI	*10*	**103,174**	152,849
Deferred tax assets		**129,339**	85,877
Goodwill		**299,024**	299,024
		14,300,509	13,513,332
Current assets			
Inventories		**1,546,407**	1,441,712
Properties for sale		**917,316**	1,202,341
Trade and other receivables	*11*	**2,493,357**	3,040,268
Pledged bank deposits		**143,859**	131,302
Bank balances and cash		**2,547,297**	5,315,994
		7,648,236	11,131,617
Current liabilities			
Trade and other payables	*12*	**4,500,284**	5,409,088
Tax Liabilities		**11,449**	75,167
Lease liabilities		**5,198**	4,894
Deferred income		**42,858**	83,813
		4,559,789	5,572,962
Net Current Assets		**3,088,447**	5,558,655
Total Assets less Current Liabilities		**17,388,956**	19,071,987

	Note	2023	2022
		RMB'000	*RMB'000*
EQUITY			
Capital and reserves			
Share capital		**212,196**	212,196
Reserves		**14,582,025**	15,869,822
Equity attributable to the owners of the Company		**14,794,221**	16,082,018
Non-controlling interests		**2,144,188**	2,411,459
Total equity		**16,938,409**	18,493,477
Non-current liabilities			
Deferred tax liabilities		**129,481**	251,921
Lease liabilities		**26,851**	38,740
Deferred income		**294,215**	287,849
		450,547	578,510
		17,388,956	19,071,987

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1 GENERAL INFORMATION

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 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 new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB"), for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules
Amendments to IAS 1	Disclosure of Accounting Policies

The application of the new and 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 year and/or on the disclosures set out in these condensed consolidated financial statements.

Amendments to IFRSs in issue but not yet effective

		Effective for annual periods beginning on or after:
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date to be determined
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025

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:

	2023	2022
	RMB'000	*RMB'000*
Types of goods or service		
Sales of chemical product		
Polymers	**4,552,407**	6,487,010
Refrigerants	**2,871,580**	4,361,050
Organic silicon	**4,862,426**	6,648,326
Dichloromethane, PVC and liquid alkali	**1,176,824**	1,624,811
	13,463,237	19,121,197
Other operations	**1,030,086**	906,791
Total	**14,493,323**	20,027,988

Sale of chemical products

Revenue (net of value added tax or other sales taxes) from the sale of goods are recognized 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 organized 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 organized.

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 2023

	Polymers	Refrigerants	Organic Silicon	Dichloromethane, PVC and liquid alkali	Other operations	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
External sales	4,552,407	2,871,580	4,862,426	1,176,824	1,030,086	–	14,493,323
Inter segment sales	–	2,608,866	–	29,559	1,182,577	(3,821,002)	–
Total revenue — segment revenue	4,552,407	5,480,446	4,862,426	1,206,383	2,212,663	(3,821,002)	14,493,323
SEGMENT RESULTS	336,766	310,574	(330,512)	248,359	85,458	–	650,645
Unallocated corporate expenses							(20,109)
Losses arising from the disposal of financial asset investments							(10,671)
Share of results of associates							34,965
Finance costs							(1,659)
Profit before taxation							653,171

For the year ended 31 December 2022

	Polymers *RMB'000*	Refrigerants *RMB'000*	Organic Silicon *RMB'000*	Dichloromethane, PVC and liquid alkali *RMB'000*	Other operations *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
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	6,487,010	7,395,229	6,648,326	1,638,371	2,136,398	(4,277,346)	20,027,988
SEGMENT RESULTS	1,989,578	1,021,356	463,465	460,302	32,627	–	3,967,328
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 associates							25,401
Finance costs							(15,302)
Profit before taxation							5,125,055

Segment results represent the results of each segment without allocation of unallocated expenses, fair value changes on financial asset at FVTPL, gain/(loss) on disposal of associates & financial asset investment 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.

3.3 Entity-wide disclosures

Information about revenue from polymers segment by products from external customers.

	2023	2022
	RMB'000	*RMB'000*
Polytetrafluoroethylene (PTFE)	**2,323,412**	2,354,595
Hexafluoropropylene (HFP)	**252,477**	386,677
Perfluorocyclobutane	**35,066**	73,106
Fluorinated ethylene propylene (FEP)	**515,929**	647,571
Polyvinylidene fluoride (PVDF)	**1,030,064**	2,431,615
Fluorine rubber (FKM)	**293,091**	425,932
Perfluorinated ion-exchange membrane	**70,024**	61,596
Vinylidene fluoride (VDF)	**537**	62,375
Others	**31,807**	43,543
	4,552,407	6,487,010

Information about revenue from refrigerants segment by products from external customers.

	2023	2022
	RMB'000	*RMB'000*
Monochlorodifluoromethane (HCFC-22)	**973,467**	1,114,184
Tetrafluoroethane (R134a)	**219,125**	179,516
Pentafluoroethane (R125)	**132,708**	262,203
R410a	**364,168**	498,706
R142b	**135,869**	1,130,452
R152a	**114,321**	185,803
R32	**445,795**	510,333
R507A	**97,797**	66,623
R407C	**9,619**	11,967
Carbon tetrachloride	**209,816**	206,646
R404A	**25,985**	62,727
Others	**142,910**	131,890
	2,871,580	4,361,050

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

	2023	2022
	RMB'000	*RMB'000*
DMC (Dimethylcyclosiloxane)	**51,218**	182,855
107 Silicon Rubber	**2,584,871**	3,278,183
Raw vulcaninizate	**394,225**	902,825
Gross Rubber	**215,885**	363,820
Gaseous Silica	**191,921**	136,818
DMC Hydrolysate	**–**	17,105
Trimethylchlorosilane	**239,781**	373,615
Methyldichlorosilane	**3,433**	14,751
DMC Lineament	**91,190**	209,855
D4 (octamethyl Cyclotetrasiloxane)	**3,088**	6,790
D3	**2,587**	7,582
End containing hydrogen silicone oil	**103,635**	115,872
End epoxy silicone oil	**54,952**	76,970
Containing hydrogen silicone oil	**91,671**	240,326
End vinyl silicon oil	**116,437**	67,949
Dimethyl silicon oil	**228,425**	312,995
D5 (Decamethyl Cyclopentasiloxane)	**23,703**	72,192
Liquid glue	**65,158**	68,832
Acidic Glue	**83,792**	54,725
Neutral glue	**67,049**	49,887
Methyl trichlorosilane	**64,720**	36,470
Epoxy silicone oil	**22,032**	24,413
Others	**162,653**	33,496
	4,862,426	6,648,326

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

	2023	2022
	RMB'000	*RMB'000*
PVC	**78,194**	213,170
Dichloromethane	**319,391**	406,612
Liquid alkali	**779,239**	1,005,029
	1,176,824	1,624,811

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

	2023	2022
	RMB'000	*RMB'000*
AHF (Anhydrous Fluoride)	**7,241**	29,574
Ammonium Bifluoride	**70,819**	61,304
Hydrofluoric Acid	**39,096**	53,978
Bromine	**27,605**	35,564
Fluorgypsum	**3,339**	13,693
Industrial salt	**13,812**	12,346
Property development	**594,774**	400,437
Others	**273,400**	299,895
	1,030,086	906,791

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 2023 and 2022.

Geographical information

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

	2023	2022
	RMB'000	*RMB'000*
PRC (Country of domicile)	**12,295,769**	16,561,081
Asia (except PRC)		
— Japan	**316,804**	675,589
— South Korea	**341,065**	521,284
— India	**166,990**	177,941
— Singapore	**33,525**	32,363
— Thailand	**39,375**	28,954
— United Arab Emirates	**173,348**	182,963
— Pakistan	**48,637**	60,333
— Malaysia	**42,112**	69,441
— Kuwait	**12,051**	18,395
— Saudi Arabia	**543**	605
— Indonesia	**26,783**	30,168
— Israel	**1,335**	2,111
— Philippines	**13,852**	5,422
— Vietnam	**51,503**	56,149
— Turkey	**69,535**	124,565
— Bangladesh	**1,618**	5,294
— Iraq	**–**	5,663
— Others countries	**15,054**	16,890
Subtotal	**1,354,130**	2,014,130

	2023	2022
	RMB'000	*RMB'000*
America		
— United States of America	**212,715**	599,880
— Brazil	**109,761**	136,900
— Chile	**289**	2,358
— Argentina	**255**	4,158
— Mexico	**10,301**	15,764
— Panama	**3,293**	3,202
— Canada	**4,859**	6,184
— Other countries	**20,459**	7,187
Subtotal	**361,932**	775,633

	2023	2022
	RMB'000	*RMB'000*
Europe		
— Italy	**146,221**	212,462
— England	**16,216**	19,419
— Russia	**6,291**	31,659
— Germany	**84,799**	121,943
— France	**38,320**	39,966
— Spain	**4,584**	19,413
— Belgium	**87,548**	99,870
— Poland	**7,341**	17,158
— Finland	**–**	18,935
— Other countries	**128**	7,755
Subtotal	**391,448**	588,580

	2023	2022
	RMB'000	*RMB'000*
Africa		
— South Africa	**18,087**	21,724
— Egypt	**9,592**	5,589
— Nigeria	**51,686**	45,639
— Other countries	**373**	4,446
Subtotal	**79,738**	77,398
Other countries/regions	**10,306**	11,166
	14,493,323	20,027,988

Over 95% of the Group's non-current assets other than financial instruments and deferred tax assets (2022: 95%) are located in the PRC as at 31 December 2023. Accordingly, no information about its non-current assets by geographical location is presented.

3.4 Other segment information

	Polymers	Refrigerants	Organic Silicon	Dichloromethane, PVC and Liquid alkali	Other Operations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2023						
Amounts included in the measures of segment profit or loss:						
Depreciation of property, plant and equipment	305,021	315,320	332,709	111,052	121,777	1,185,879
Depreciation of right-of-use-assets	3,653	5,297	5,648	1,206	4,890	20,694
Amortisation of intangible assets	2,828	1,550	60	335	2,953	7,726
(Reversal of impairment)/impairment on trade receivables	455	(1,736)	(1,823)	33	481	(2,590)
Research and development cost	399,532	206,845	230,823	45,170	52,729	935,099
Write-down of inventories	36,207	90,314	41,323	1,955	4,869	174,668
Loss on disposals of property, plant and equipment	11,671	39,744	3,970	716	2,900	59,001
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:						
Losses arising from the disposal of financial asset investments	–	–	–	–	10,671	10,671
Share of results of an associate	–	–	–	–	(34,965)	(34,965)

	Polymers	Refrigerants	Organic Silicon	Dichloromethane, PVC and Liquid alkali	Other Operations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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 cost	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 deemed disposal of an associate	–	–	–	–	(1,212,290)	(1,212,290)
Share of results of an associate	–	–	–	–	(25,401)	(25,401)

4 OTHER INCOME AND OTHER NET GAINS AND LOSSES

	2023	2022
	RMB'000	*RMB'000*
Other income		
Government grants *(Note (i))*	**124,522**	55,520
Bank deposits interest income	**89,509**	80,255
Other interest income *(Note (ii))*	**5,420**	9,136
Others	**60,728**	8,120
	280,179	153,031
Other net gains and losses		
Loss on disposal of equity investments	**(10,671)**	–
Exchange difference, net	**(351)**	75,975
	(11,022)	75,975
	269,157	229,006

Notes:

(i) During the year ended 31 December 2023, the Group recognised government grants of RMB44,644,000 (2022: RMB18,584,000) 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 2023, the Group recognised government grant of RMB79,878,000 (2022: RMB36,936,000), which was released from deferred income to 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 interests derived from bills receivable of RMB5,420,000 (2022: RMB9,136,000) for the year ended 31 December 2023.

5 FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Interests on:		
Bank loans wholly repayable within five years	**–**	13,046
Lease liabilities	**1,659**	2,256
Exchange difference, net	**1,659**	15,302

6 INCOME TAX EXPENSE

	2023	2022
	RMB'000	*RMB'000*
Current tax:		
PRC enterprise income tax ("EIT")		
— Current year	**170,939**	813,776
— (Over)/Under provision in prior years	**(3,596)**	4,528
Land Appreciation Tax ("LAT")	**40,645**	10,126
	207,988	828,430
Deferred tax		
— Withholding tax for distributable profits of PRC subsidiaries	**(148,000)**	91,543
— Others	**(17,902)**	28,965
	(165,902)	120,508
Income tax expenses	**42,086**	948,938

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% (2022: 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):

		2023	2022
		RMB'000	*RMB'000*
(a)	Staff costs (including directors' emoluments):		
	Wages and salaries	**990,149**	1,528,692
	Discretionary bonus	**–**	15,629
	Pension scheme contributions	**231,311**	213,755
	Equity-settled share-based payments	**–**	–
	Other staff welfare	**124,218**	122,327
Total staff costs		**1,345,678**	1,880,403
(b)	Other items		
	Amortisation of intangible assets (Included in cost of sales)	**7,726**	16,220
	Auditor's remuneration	**2,590**	2,566
	Depreciation of property, plants and equipment	**1,185,879**	904,313
	Depreciation of right-of-use assets	**20,694**	29,714
	Loss on disposal of property, plants and equipment	**59,001**	21,233
	Fair value changes on financial asset at FVTPL	**–**	37,669
	Gain on deemed disposal of an associate	**–**	(1,212,290)
	Government grants	**(124,522)**	(55,520)
	Impairment on other receivables	**(1,754)**	28,368
	Impairment on trade and receivables	**(2,590)**	4,628
	Write-down of inventories (included in cost of sales)	**174,668**	182,126

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:

	2023	2022
	RMB'000	*RMB'000*
Profit for the year attributable to owners of the Company, used in the basic and diluted earnings per share calculations	**707,793**	3,855,539

	Number of shares	
	2023	2022
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,197,479**	2,234,416

During the year ended 31 December 2023, 33,923,000 (2022: 25,974,000) ordinary shares were purchased under the employee option scheme.

Other than the employee option scheme, the Company did not repurchase nor cancel any shares of the Company during the year ended 31 December 2023 (2022: 1,051,000).

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the years ended 31 December 2023 and 2022 has been arrived at after deducting the shares held in trust for the Company.

The Company did not have any potential ordinary shares outstanding during the years ended 31 December 2023 and 2022. Diluted earnings per share for the year ended 31 December 2023 and 2022 are the same as the basic earnings per share.

9 DIVIDENDS

	2023	2022
	RMB'000	*RMB'000*
Dividends paid during the year 2023: 2022 final dividend of HK\$0.60 (2022: 2021 final dividend of HK\$0.34 per share)	**1,196,613**	625,229

Subsequent to the end of the reporting period, a final dividend HK\$0.10 per share (2022: HK\$0.60 per share), amounting to HK\$225,369,000 (2022: HK\$1,352,213,000) in respect of the year ended 31 December 2023, 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

	Notes	2023 RMB'000	2022 RMB'000
Unlisted equity securities, at fair value			
China MinSheng Investment Co., Ltd ("CMIC")	*(a)*	–	10,671
Taihe Asset Management Co. Ltd. ("Taihe")	*(b)*	**44,447**	57,163
Hainan Guji Investment Partnership (limited partnership) ("Hainan Guji")	*(c)*	**2,958**	32,321
Zibo Runxin Dongyue New Material Equity Investment Fund Partnership (limited partnership) ("Zibo Runxin")	*(d)*	**55,769**	52,694
		103,174	152,849

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. As at 31 December 2022, the Group has an equity interest of 2.8% in CMIC.

The directors of the Company considered, and as assessed by the independent professional valuer engaged by the Group, the fair value of the Group's investment in CMIC of approximately RMB10,671,000 was recognised as at 31 December 2022. Accordingly, a fair value loss of RMB1,052,000 has recognised in other comprehensive expense for the year ended 31 December 2022.

During the year ended 31 December 2023, the Group disposal of its 2.8% equity interests in CMIC and recognised a loss of disposal of RMB10,671,000 in profit or loss for the year ended 31 December 2023.

(b) Taihe is a private entity established in the PRC. Taihe was principally engaged in asset management and bulk transfer of non-performing assets of financial enterprises in Shandong Province, the PRC. The Group and other partners jointly established Taihe and the registered capital of Taihe was RMB10,000,000,000, of which the register capital contributed by the Group was RMB600,000,000, representing 6% of the total registered capital of Taihe. As of 31 December 2023, the total capital contribution of RMB120,000,000 has been paid by the Group (31 December 2022: RMB120,000,000).

As of 31 December 2022, the directors of the Company considered, and as assessed by the independent professional valuer engaged by the Group, the fair value of the Group's investment in Taihe of approximately RMB57,163,000 was recognised (31 December 2021: RMB70,531,000). Accordingly, as of 31 December 2022, the cumulative fair value loss of approximately RMB62,837,000 (31 December 2021: RMB49,469,000) was recognised.

As at 31 December 2023, the directors of the Company considered, and as assessed by the independent professional valuer engaged by the Group, the fair value of the Group's investment of Taihe was approximately RMB44,447,000 (31 December 2022: RMB57,163,000) and a fair value loss of approximately RMB12,716,000 (2022: RMB13,368,000) which had been recognised in other comprehensive expense for the year ended 31 December 2023.

(c) Hainan Guji is a limited partnership established in the PRC, which is focusing in the investments in industrial silicon companies.

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 as 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, accordingly, the Group's investment in Hainan Guji reduced to RMB40,100,000. As at 31 December 2022, the directors of the Company considered, and as assessed by the independent professional valuer engaged by the Group, the fair value of the investment in Hainan Huji was RMB32,321,000 with the loss in fair value of RMB7,779,000 had been recognised in other comprehensive expense for the year ended 31 December 2022.

During the year ended 31 December 2023, the Group received refund from Hainan Guji of RMB39,203,000, accordingly, the Group's investment in Hainan Guji reduced to RMB897,000. As at 31 December 2023, the directors of the Company considered, and as assessed by the independent professional valuer engaged by the Group, the fair value of the investment in Hainan Huji was RMB2,958,000 with the change in fair value of RMB9,840,000 had been recognised in other comprehensive income for the year ended 31 December 2023.

(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"), Zibo Juqiang Trading Co., Ltd. ("Zibo Juqiang") and China Capital Management Co., Ltd. ("China Capital") in relation to the establishment of the fund. Pursuant to the partnership agreement, the initial capital contribution to the fund was aggregately 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.

As of 31 December 2021, the Group made a total 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 a further capital contribution of RMB6,500,000 to Zibo RunXin, and as of 31 December 2022, the total capital contribution made by the Group was RMB66,500,000, with a shareholding ratio of 36.44%.

As of 31 December 2022, the directors of the Company considered, and as assessed by the independent professional valuer engaged by the Group, the fair value of the investment in Zibo Runxin was approximately RMB52,694,000 with fair value loss of RMB7,532,000 had been recognised in other comprehensive expense for the year 31 December 2022.

During the year ended 31 December 2023, the Group made supplementary capital contribution of RMB15,648,000 to Zibo RunXin, and as of 31 December 2023, the total capital contribution made by the Group was RMB82,148,000, with a shareholding ratio of 36.44%.

As of 31 December 2023, the directors of the Company considered, and as assessed by the independent professional valuer engaged by the Group, the fair value of the investment in Zibo Runxin was approximately RMB55,769,000, and a fair value loss of approximately RMB12,573,000 which had been recognised in other comprehensive expense for the year ended 31 December 2023.

11 TRADE AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables *(note)*	**1,568,806**	2,140,206
Less: allowance for credit losses	**(4,298)**	(6,888)
	1,564,508	2,133,318
Prepayments for raw materials	**87,232**	95,511
Tax recoverable	**240,918**	245,596
Deposit paid for property development	**21,000**	21,000
Receivable for disposal of associate	**–**	406,474
Deposits and other receivables	**579,699**	138,369
	2,493,357	3,040,268

Note: Included in the trade receivables are bills receivables amounting to RMB1,365,293,000 at 31 December 2023 (2022: RMB1,779,458,000).

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.

	2023	2022
	RMB'000	*RMB'000*
Within 90 days	**576,162**	1,006,429
91–180 days	**971,553**	1,055,095
181–365 days	**16,793**	71,794
	1,564,508	2,133,318

12 TRADE AND OTHER PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**2,159,485**	2,611,778
Contract liabilities — sale of chemical products	**133,904**	168,277
Contract liabilities — sale of properties	**269,478**	511,263
Payroll payable *(Note (i))*	**717,997**	837,416
Payable for property, plant and equipment *(Note (ii))*	**748,974**	766,449
Other tax payables	**69,903**	57,708
Construction cost payables for properties under development for sale	**151,731**	112,997
Other payables and accruals	**248,812**	343,200
	4,500,284	5,409,088

Notes:

i. As at 31 December 2023, included in the payroll payable is a provision for social insurance fund for employees of the PRC subsidiaries amounting to RMB56,840,000 (2022: RMB41,123,000). 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.

MANAGEMENT DISCUSSION AND ANALYSIS

2023 is a challenging year for the industry with significant changes in the operating environment. Due to the rapid growth in production capacity and the weaker-than-expected downstream demand, the prices of various major fluorosilicon chemical products recorded steep declines, resulting in a less optimistic market view. Facing such market downturn, the Group fully utilized its operating advantage and quickly adjusted its business strategy to cope with the changes. As a result, amid severe market volatility, the Group maintained stable operation and strong competitiveness in the industry.

RESULTS REVIEW

I. Prudent Operation amid Market Changes

During the period under review, due to significant market changes the prices of various fluorosilicon chemical products recorded a substantial decline, resulting in a profit margin squeeze. In response to these changes, the Group's management quickly formulated business strategies to maintain prudent operations, reinforce "internal strength", reduce costs and explore potential developments. The Group's economies of scale, advanced technology, well-established production chain and outstanding management helped the Group maintain strong competitiveness in the industry. During the year, despite severe market pressure, the Group's production remained stable. Some major products achieved growth in both production and sales volume to help uplift the Group's market share. During the period under review, although the Group recorded a significant decline on revenue and profit due to negative market factors, the Group's business strategy of "prudent operation for sustainable development" could help the Group weather the industry downturn and sufficiently prepare the Group for the potential opportunities upon industry recovery in the future.

II. Seizing market opportunities to cope with industry downturn

During the year, despite the sluggish downstream demand, some of the Group's major products still recorded an increase in sales volume, thanks to the Group's acute market sense, which enabled the Group to adjust its strategies quick enough to cope with the changes in business environment. During the period under review, some products of the Group recorded significant changes in supply and demand. Therefore, in addition to the existing customers and markets, the Group proactively explored new breakthrough and growth potential by strengthening the development and marketing of other application markets. Through these efforts, more than 100 new market users were developed and some product sales volume even reached record high. Pioneering with proactive sales strategy enabled the Group to surpass all competitions and further uplift the market share of the Group's products.

III. Remarkable achievement in technological innovation

Despite the substantial decline on the financial performance for the year, the Group continued to base on the fluorosilicon chemical industry chain as the foundation and maintained its investment in research and development. During the year, the Group had 101 new product grades added with a batch of new high-end materials entering into the market as trial samples or at the initial stage with small supply, which contributed as a foundation for the Group to improve its industrial strength and competitive edge. In addition, the completion of 148 projects in relation to new renovation and expansion, energy saving and emissions reduction, automation upgrade and quality enhancement, coupled with the achievement on technological breakthroughs, contributed to cost reduction and efficiency improvement of the Group. Besides, 81 new patents were authorized. At present, the Group has a total of 620 patents, 22 standards were published, including 2 national standards, 2 industry standards, 1 local standard and 17 group standards. To date, a total of 127 various standards were published by the Group. The Group's R&D expense during the period under review was approximately RMB935,099,000, accounting for 6.45% of the revenue.

IV. Safeguarding stable operation by safe and environmental-friendly production

The Group has always committed to high standards of environmental-friendly production to ensure stable operation. During the year, the Group further enhanced its management system for safe and environmental-friendly production, and strengthened the objectives of such management system. Meanwhile, the implementation of the information technology automation projects also ensured the safe and environmental-friendly production. As a result, the Group recorded no occurrence of safety and environmental protection incidents during the period under review. In addition, the Group has further improved the recycling rate of by-products and wastes, such as the utilization of hydrogen by-products and recycling of wastewater, in an effort to reduce costs and increase efficiency for the Group. During the year, several major production companies under the Group passed the local environmental protection grade A standard review, laying a solid foundation for high operating efficiency of the industrial chain.

V. Further enhance management skill

"Empower Internal Strength" is the most effective method to cope with the changes of operating environment. During the year, the Group further improved its management to achieve cost savings and risk reduction. During the period under review, the Group's administrative expenses and finance costs were reduced year-on-year by 34.86% and 89.16% respectively. The integrated corporate finance service platform, developed through cooperation with banks, further satisified the settlement enquiry by our suppliers and improved the Group's cash liquidity. Various departments within the Group conduct regular communication to prevent corruption. We enhance anti-corruption awareness among our cadres and employees through education and training, reducing the potential for corruption. The audit and compliance department strictly monitors the implementation of all management systems to ensure corrective measure is taken against management problems in order to prevent the occurrence of internal control risks. In terms of human resources structure, the Group benchmarked against advanced enterprises to achieve further optimization. Our production operation is becoming more reasonable. The job rotation and contest between management personnels have resulted in a younger and more professional team. Such efforts have contributed to a more scientific and standardised management of the enterprise. In terms of information technology, the Group's self-control device reached a new stage. With the application of various automation technologies, the installation production has become safer and more efficient.

PROSPECT

At present, despite the recovery seen from some product markets in the industry, the Group still encounters significant challenges. Based on our extensive industry experience, the Group clearly understands how to address these challenges now. As the results, we have developed the following business strategies for the future:

1. Precisely planning layout of high-end fine chemicals R&D and comprehensive by-products utilization

The management of the Group has been adhering to promote the Group's development by technology innovation. In the future, the Group will provide high-end and quality products and services for the market through technology and product innovation to create its own proprietary product advantages and further enhance its competitive advantages. In terms of high-end material, the Group will increase development in technology, high-end in-depth processing and the expansion on product application. With regard to the by-products, the Group will further enhance technology and process, actively promote recyclable economy of the industrial chain, as well as strengthening the comprehensive utilization of by-products. In addition, the Group has taken further steps towards market-oriented R&D, which will enable the Group's R&D to closely align with the market in the future. As the results, understanding the market dynamics and customer needs, as well as stimulating R&D incentive and innovation breakthroughs would become easier, which should also enhance R&D efficiency, and flexibly apply various R&D models.

2. **Continuously improving the Group's industrial chain's support to promote its relative value growth**

With a well-established industrial chain, the Group has maintained highly competitive in the industry over the years. The Group also views the future deployment of the industrial chain as an important strategic plan. In terms of raw materials, the Group will strengthen the integration and improvement of its raw material sites to ensure supply with high-quality and low-cost. In terms of the downstream industrial chain, the Group will ramp up such construction and development, accelerate the construction and upgrading of high-end products, new formulas and new processes. In terms of energy support, the Group will optimize the layout of the industrial park and build a modernized energy supply center with advanced, highly-efficient, intelligent, safe and environment-friendly facilities. In terms of safety and environmental support, the Group will further reduce air emissions, wastes discharge and slag discharge to ensure the production stability of the industrial chain.

3. **Ongoing safe and environmentally friendly production as the greatest competitive edge**

The Group's management recognises the importance of safety and environmental protection in production process. To be a "steady progress" company, the ongoing improvement on the standard of safety and environmental protection production is essential. To uphold the vision of "zero injury, zero accident, and zero leakage", the Group will fully enforce the production safety responsibility system. We will strengthen investment, training, basic management, and emergency rescue measures with regard to safeness. In addition, the Group will take a comprehensive approach to further promote safety management and intelligent digitalisation within our production processes to achieve essential safety. This strategy aims to lower human intervention in the production process, thereby reducing risks, enhancing operating efficiency, and minimising processing wastes.

4. **Improving marketing brand image by quality products and services**

Leveraging the superior product and service quality, the Group has maintained highly competitive in the industry and become a top-recognized brand to downstream customers. Amidst market downturn, the Group will further improve product quality, establish database and set up top quality standard. In terms of craftsmanship, the Group will strengthen development of new craftsmanship and formulas to uplift the craftsmanship level, and hence improve product quality with higher stability. Besides, the Group will utilize our scientific strength to offer high-end products and services to the market through product and technological innovation. The Group's management believes that valuable products can help raise the Company's brand image in the market, which requires collaborative efforts from all aspects such as technology, market, management and innovation to achieve such synergy.

5. **Optimizing procurement standards for further cost reduction and efficiency improvement**

   In view of the operating challenges ahead, the Group has identified procurement as a key direction for cost reduction and efficiency improvement. The Group will optimize standards for the procurement of raw materials to adopt stricter approval standards for suppliers, strictly implement supplier prohibitive provisions, and establish a database on supplier status and supervision. The Group's Audit Department will comprehensively supervise the implementation of procurement, and strictly follow the regulations on document submission, bidding, contract preparation and execution. In addition, the Group will resolutely remove unqualified intermediary traders and increase the proportion of direct supply from manufacturers.

In 2023, the fluorosilicon chemical industry witnessed various difficulties, and the Group managed to survive these changes based on its 37 years of operating experience in the industry. 2024 will be a year full of opportunities and challenges. We will adhere to sound business principles, maintain a sense of urgency, crisis and responsibility; focus on the field of fluorosilicon chemical, and work hard to forge ahead. We will put our best efforts to create significant value, and to pay back all the long-term trust and support from our investors.

FINANCIAL REVIEW

Results Highlights

For the year ended 31 December 2023, the Group recorded revenue of approximately RMB14,493,323,000, down 27.63% over RMB20,027,988,000 in the previous year. Gross profit margin decreased to 16.81% (2022: 32.53%) and the operating margin was 4.49% (2022: 19.81%). The Group recorded profit before tax of approximately RMB653,171,000 (2022:RMB5,125,055,000), and net profit of approximately RMB611,085,000 (2022: RMB4,176,117,000), while consolidated profit attributable to the Company's owners was approximately RMB707,793,000 (2022: RMB3,855,539,000). Basic earnings per share were RMB0.32 (2022: RMB1.73).

The Board recommended the payment of a final dividend of HK$0.10 (2022: HK$0.60) per share to the shareholders whose names appear on the shareholder's registrars of the Company on 17 June 2024.

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 2023 and 2022:

	For the year ended 31 December 2023			For the year ended 31 December 2022		
	Revenue	**Results**	**Operating Margin**	Revenue	Results	Operating Margin
	RMB'000	***RMB'000***		*RMB'000*	*RMB'000*	
Fluoropolymers	**4,552,407**	**336,766**	**7.40%**	6,487,010	1,989,578	30.67%
Organic Silicon	**4,862,426**	**(330,512)**	**(6.80)%**	6,648,326	463,465	6.97%
Refrigerants	**2,871,580**	**310,574**	**10.82%**	4,361,050	1,021,356	23.42%
Dichloromethane, Polyvinyl Chloride ("PVC") and Liquid Alkali	**1,176,824**	**248,359**	**21.10%**	1,624,811	460,302	28.33%
Others	**1,030,086**	**85,458**	**8.30%**	906,791	32,627	3.60%
Consolidated	**14,493,323**	**650,645**	**4.49%**	20,027,988	3,967,328	19.81%

Analysis of Operating Results

During the period under review, due to the downturn of the fluorosilicon chemical industry, coupled with the increase of certain product supply, and the weaker-than-expected downstream demand, several key industry products recorded further price decline. Therefore, the Group also recorded various degrees of declining results on several major business segments.

Fluoropolymers

During the period under review, the external sales of fluoropolymers segment was approximately RMB4,552,407,000, down 29.82% compared with the same period of the previous year (2022: RMB6,487,010,000), accounting for 31.41% (2022: 32.39%) of the Group's total external sales. The segment results recorded a profit of RMB336,766,000, down 83.07% compared with RMB1,989,578,000 in the same period of the previous year.

During the period under review, the key reason of the decline on external sales revenue and performance was mainly attributable to the significant price drop on the major products of the segment. Among all, the PVDF products recorded the largest price decline, mainly driven by the production capacity growth outweighing the growth of its downstream demand. Although the Group recorded production growth of some products in the segment, such quantity increase was unable to compensate the negative impact driven by the sliding product prices.

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 supplies 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 decreased by 34.15% to RMB2,871,580,000 from RMB4,361,050,000 in the previous year, accounting for 19.81% (2022: 21.77%) of the Group's total external sales. The segment results recorded a profit of RMB310,574,000, representing an decrease of 69.59% from a profit of RMB1,021,356,000 in the same period of the previous year.

During the period under review, the results decline of the refrigerants segment was primarily attributable to the price decrease of the R142b products. Affected by the changes in demand of the PVDF industry chain and the ramp-up of R142b production capacity by some PVDF manufacturers, market demand in R142b shrank, causing a substantial price decline as compared to the previous year.

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 decreased by 26.86% to RMB4,862,426,000 from RMB6,648,326,000 in the previous year, accounting for 33.55% (2022: 33.20%) of the Group's total external sales. The segment results recorded a loss of RMB330,512,000, down 171.31% from a profit of RMB463,465,000 in the previous year.

During the period under review, the organic silicon market was impacted by the economic environment. Weakening demand and full capacity release of the new production across the domestic organic silicone industry led to a short-term imbalance between supply and demand. As a result, market competition became fierce, pushing the product price down below the industry cost level.

This segment mainly included 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 decreased by 27.57% to RMB1,176,824,000 from RMB1,624,811,000 in the previous year, accounting for 8.12% (2022: 8.11%) of the Group's total external sales. The segment results recorded a profit of RMB248,359,000, down 46.04% year on year (2022: profit of RMB460,302,000). The products of this segment consist of chemical commodities, which are greatly affected by economic changes. During the period under review, the segment's products recorded a weakening demand, putting downward pricing pressure on the products. Since the price drop on products outweighed the cost decline on the raw materials, the relative profit level also recorded a decline accordingly.

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 RMB1,030,086,000, up 13.60% as compared with RMB906,791,000 in the previous year. The segment results recorded a profit of RMB85,458,000 (2022: RMB32,627,000), representing a year-on-year increase of 161.92%.

This segment included the revenue from the production and sales of other by-products of the Group's operating segments, such as Ammonium Bifluoride, Hydrofluoric Acid and Bromine, and real estate business, etc.. The Group has remained cautious with its real estate business since the engagement in 2011. According to the prevailing industry situation, the Group has determined to gradually withdraw from the real estate industry since early 2020. Nowadays, only very few real estate businesses remained, and the Group has no further plan to expand this business segment.

Distribution and Selling Expenses

During the year under review, the distribution and selling expenses increased slightly by 0.86% to RMB503,038,000 from RMB498,767,000 of the previous year. The disproportionate change in distribution and selling expenses relative to the change in revenue was mainly driven by the increase in transportation and miscellaneous cost as a result of the increase in sales volume of some products of the Group during the period under review.

Administrative Expenses

During the year under review, the administrative expenses decreased by 34.86% to RMB647,286,000 from RMB993,740,000 of the previous year. The decrease in administrative expenses was due to the decrease on management expense, which also included the negative impact on employee salary from the decline on financial results.

Finance Costs

During the year under review, the finance costs decreased by 89.16% to RMB1,659,000 from RMB15,302,000 of last year. The substantial decrease in the Group's financing costs was due to loan reduction. The Group has no outstanding loan as at 31 December 2023.

Capital Expenditure

For the year ended 31 December 2023, the Group's aggregate capital expenditure was approximately RMB1,918,256,000 (2022: RMB3,923,933,000). The Group's capital expenditure is mainly allocated for the construction of the new production lines, renovation of existing production lines and construction of ancillary facilities.

Liquidity and Financial Resources

The Group's financial position is sound with healthy working capital management and strong operating cash flow. As at 31 December 2023, the Group's total equity amounted to RMB16,938,409,000, down 8.41% as compared with that as at 31 December 2022. As at 31 December 2023, the Group's bank balances and cash came in at RMB2,547,297,000 (2022: RMB5,315,994,000). The decrease in the Group's bank balance and cash was mainly attributable to the fact that the net cash inflow from operating activities for the current year was insufficient to fully cover the investment cash expenditure and dividend payment. During the year under review, the Group generated a total of RMB1,298,816,000 (2022: RMB5,082,541,000) net cash inflow from its operating activities. The current ratio[(1)] of the Group as at 31 December 2023 was 1.68 (31 December 2022: 2.00).

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

Capital Structure

Apart from disclosure in the section "Employee Option Scheme" and "Off-market Share Buy-back and Disposal and Major and Connected Transaction" 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 2023.

As at 31 December 2023, the Group has no borrowing balance (2022: no borrowing balance). The gearing ratio[(2)] of the Group was -15.04% (2022: -28.75%). The negative gearing ratio as at 31 December 2023 represents the Group is "net cash" positive (i.e. has more cash & equivalents than its debt), which is generally viewed as a positive signal.

For the year ended 31 December 2023, the Group had no borrowings, therefore there was no borrowing rate. In 2022, the Group had borrowings at floating interest rate and shareholder interest rate. The weighted average effective interest rate on floating rate borrowings was 3.91% per annum; and the weighted average effective interest rate on fixed rate borrowings was 4.35% per annum.

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, other than the disclosure under the section headed "Off-market Share Buy-back and Disposal and Major and Connected Transaction" in this announcement, there has no material change in the structure of the Group.

Charge on Assets

As at 31 December 2023, the Group's bank deposits of RMB143,859,000 (2022: RMB131,302,000) were used as security for bills payable and regulated security deposit from presale of properties. According to the requirements of the PRC property industry, the property companies are required to place regulated security deposit in their escrow account, which cannot be used until the completion of construction and the residential mortgage loan applications for the customers. As at 31 December 2023, the relevant bank deposits were RMB68,134,000 (2022: RMB87,958,000).

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's functional currency is RMB, and most transactions are settled in RMB. However, foreign currencies (mainly United States dollars) will be received/paid when the Group earns revenue from overseas customers, and settles purchases of machinery and equipment to the overseas suppliers.

To reduce the risk of holding foreign currencies, the Group normally converts the foreign currencies into RMB upon receipt after taking into account its foreign currencies payment schedule in the near future.

Employees and Remuneration Policy

The Group recorded 6,977 employees in total, including 6,056 males and 921 female as at 31 December 2023 (2022: 7,065). 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 market competitiveness on remuneration.

OTHER INFORMATION

Final Dividend

The Directors recommend the payment of a final dividend of HK$0.10 (the "Final Dividend") (2022: HK$0.60) per share in respect of the year ended 31 December 2023, to the shareholders whose names appear on the register of members of the Company (the "Register") on 17 June 2024, 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 6 June 2024. 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 2023 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

76,707,000 Shares in the amount of HK$731,013,000 are held by the Trustee under the Employee Option Scheme as at 31 December 2023, in which 33,923,000 Shares in the amount of HK$200,365,000 have been purchased during the year ended 31 December 2023. No Options have been granted under the Employee Option Scheme during the reporting period.

Under the Employee Option Scheme, up to 31 December 2023, the Company have contributed HK$998,187,000 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.

Off-market Share Buy-back and Disposal and Major and Connected Transaction

On 23 October 2023, (i) the Company entered into the Share Buyback Agreement with the vendors (each being a wholly-owned subsidiary of Macrolink Holding Limited ("MLH"), a substantial shareholder of the Company prior to the Share Buy-back completion) pursuant to which the vendors have proposed to sell, and the Company has proposed to buy-back for cancellation, an aggregate of 520,977,818 Shares (representing approximately 23.12% of the issued share capital of the Company as at the date of the Share Buy-back Agreement) at an aggregate consideration of HK$3,698,700,646 (equivalent to RMB3,456,729,576), being approximately HK$7.1 per Buy-back Share; and (ii) Dongyue Fluorosilicone Science and Technology Group Co., Ltd. ("Dongyue Fluorosilicone Technology"), a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with MLH pursuant to which Dongyue Fluorosilicone Technology has proposed to sell, and MLH has proposed to purchase, the respective Equity Interests in the Target Companies (collectively, (i) Shandong Dongyue Polymers Co., Ltd. ("Dongyue Polymers") , (ii)Shandong Dongyue Organosilicon Materials Co., Ltd. (" Dongyue Organosilicon") and (iii) Shandong Dongyue Future Future Hydrogen Energy Materials Co., Ltd. ("Dongyue Hydrogen")) at an aggregate consideration of RMB3,456,729,576 (equivalent to HK$3,698,700,646, consisting RMB1,752,000,000 (with regards to Dongyue Polymers), RMB1,539,729,576 (with regards to Dongyue Organosilicon) and RMB165,000,000 (with regards to Dongyue Hydrogen). After the disposal completion, Dongyue Polymers and Dongyue Organosilicon remain subsidiaries of the Group and Dongyue Organosilicon; and Dongyue Hydrogen remains an associated company of the Group. The consideration for the Disposal was determined by the parties to the Disposal with reference to the A-shares trading price (as to Dongyue Organosilicon), and their respective financial performance (as to Dongyue Polymers and Dongyue Hydrogen).

In addition, MLH is indirectly controlled by Mr. Fu Kwan (an executive Director and a substantial Shareholder of the Company prior to the Share Buy-back completion) , hence as associate of Mr. Fu Kwan therefore connected persons of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the HKSE (the "Listing Rules"). The Share Buy-back and the Disposal therefore also constitutes connected transactions of the Company.

The Share Buyback and the Disposal have been duly passed by way of poll at the EGM of the Company held on 18 December 2023, and that the completion took place on 5 March 2024. The Company will proceed to arrange for the cancellation of the Buy-back Shares after the completion.

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

During the year, other than as disclosed under the sections headed "Employee Option Scheme" and "Off-market Share Buy-back and Disposal and Major and Connected Transaction", 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 2023.

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 2023 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 21 March 2024, 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 2023 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 announcement 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 was 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 2024.

Closure of Register of Members

The Board announces that the Register will be closed from 3 June to 6 June 2024, 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 31 May 2024.

The Board further announces that the Register will be closed from 13 June to 17 June 2024, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, not later than 4:30 p.m. on 12 June 2024.

The expected date for payment of the Final Dividend is 12 July 2024.

By Order of the Board
Dongyue Group Limited
Zhang Jianhong
Chairman

The PRC, 26 March 2024

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.