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DONGYUE FEDERATION
東岳集團有限公司

DONGYUE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 189)

ANNOUNCEMENT OF INTERIM RESULTS FOR 2013

FINANCIAL HIGHLIGHTS
(in RMB million, unless otherwise stated)

	Six months ended 30 June	
	2013	2012
Revenue	**3,196**	3,637
Gross Profit	**512**	987
Gross Profit Margin	**16.02%**	27.13%
Profit before Tax	**245**	664
Profit and Total Comprehensive Income for the Period	**190**	434
Profit and Total Comprehensive Income for the Period attributable to the Shareholders	**212**	433
Basic Earnings per Share (RMB)	**0.10**	0.20

	As at	
	30 June 2013	31 December 2012
Total Equity	**5,234**	5,227
Net Assets per Share (RMB)	**2.47**	2.46

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
		Unaudited	Unaudited
Revenue	*3*	**3,195,844**	3,636,987
Cost of sales		**(2,684,017)**	(2,650,160)
Gross profit		**511,827**	986,827
Other income	*4*	**94,563**	59,222
Distribution and selling expenses		**(118,368)**	(99,713)
Administrative expenses		**(149,143)**	(192,444)
Research and development expenses		**(30,072)**	(20,794)
Finance costs		**(63,477)**	(68,941)
Share of results of associates		**168**	(27)
Profit before tax		**245,498**	664,130
Income tax expense	*5*	**(55,159)**	(229,754)
Profit and total comprehensive income for the period	*6*	**190,339**	434,376
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**211,711**	432,675
Non-controlling interests		**(21,372)**	1,701
		190,339	434,376
Earnings per share	*8*		
— basic and diluted (RMB)		**0.10**	0.20

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2013 RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited
Non-current assets			
Property, plant and equipment		**4,498,196**	4,121,444
Prepayment for purchase of property, plant and equipment		**53,390**	48,488
Prepayment for land lease		**91,117**	495
Prepaid lease payments		**481,898**	379,533
Intangible assets		**184,581**	84,475
Interests in associates		**16,761**	1,593
Available-for-sale investments		**118,178**	118,178
Deferred tax assets		**154,330**	116,221
Goodwill		**85,894**	1,354
		5,684,345	4,871,781
Current assets			
Inventories		**595,256**	524,926
Properties under development for sale		**401,701**	372,884
Prepaid lease payments		**12,433**	10,909
Trade and other receivables	*9*	**1,108,940**	894,191
Entrusted loans		**701,000**	400,000
Pledged bank deposits		**88,582**	20,570
Bank balances and cash		**834,348**	1,682,728
		3,742,260	3,906,208
Current liabilities			
Trade and other payables	*10*	**1,733,818**	1,325,490
Borrowings		**708,557**	774,302
Tax liabilities		**37,475**	63,063
Deferred income		**11,381**	8,256
		2,491,231	2,171,111
Net current assets		**1,251,029**	1,735,097
Total assets less current liabilities		**6,935,374**	6,606,878

	Note	As at 30 June 2013 RMB'000 Unaudited	As at 31 December 2012 RMB'000 Audited
Capital and reserves			
Share capital		**201,037**	201,111
Reserves		**4,785,469**	4,747,204
Equity attributable to the owners of the Company		**4,986,506**	4,948,315
Non-controlling interests		**247,279**	278,543
Total equity		**5,233,785**	5,226,858
Non-current liabilities			
Deferred income		**233,807**	199,613
Deferred tax liabilities		**43,566**	42,611
Borrowings		**1,424,216**	1,137,796
		1,701,589	1,380,020
		6,935,374	6,606,878

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital	Share premium	Share option reserve	Merger reserve	Capital reserve	Statutory surplus reserve	Retained earnings	Total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2012 (audited)	201,111	1,238,838	127,778	(32,210)	101,098	497,046	2,649,427	4,783,088	292,208	5,075,296
Profit and total comprehensive income for the period	—	—	—	—	—	—	432,675	432,675	1,701	434,376
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	—	9,800	9,800
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	(17,472)	(17,472)
Dividends paid	—	—	—	—	—	—	(690,876)	(690,876)	—	(690,876)
Recognition of equity-settled share-based payments	—	—	91,402	—	—	—	—	91,402	—	91,402
Balance at 30 June 2012 (unaudited)	201,111	1,238,838	219,180	(32,210)	101,098	497,046	2,391,226	4,616,289	286,237	4,902,526
Balance at 1 January 2013 (audited)	**201,111**	**1,238,838**	**270,825**	**(32,210)**	**101,098**	**627,139**	**2,541,514**	**4,948,315**	**278,543**	**5,226,858**
Profit and total comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**—**	**211,711**	**211,711**	**(21,372)**	**190,339**
Dividends paid to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(9,892)**	**(9,892)**
Dividends paid	**—**	**—**	**—**	**—**	**—**	**—**	**(219,428)**	**(219,428)**	**—**	**(219,428)**
Recognition of equity-settled share-based payments	**—**	**—**	**48,099**	**—**	**—**	**—**	**—**	**48,099**	**—**	**48,099**
Shares repurchased	**(74)**	**(2,117)**	**—**	**—**	**—**	**—**	**—**	**(2,191)**	**—**	**(2,191)**
Balance at 30 June 2013 (unaudited)	**201,037**	**1,236,721**	**318,924**	**(32,210)**	**101,098**	**627,139**	**2,533,797**	**4,986,506**	**247,279**	**5,233,785**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Net cash from operating activities	**492,017**	1,040,319
Net cash used in investing activities:		
Interest received	**49,579**	46,957
Purchase of property, plant and equipment	**(311,111)**	(289,810)
Prepayment for prepaid lease payments	**(169,212)**	(65,733)
Purchase of available-for-sale investments	**—**	(37,672)
Entrusted loans to third parties	**(626,000)**	(230,000)
Repayment of entrusted loans from third parties	**325,000**	53,000
Cash outflow from additional capital contribution to an associate	**—**	(490)
Cash outflow from capital injection in an associate	**(15,000)**	—
Net cash outflow from acquisition of a subsidiary	**(445,894)**	—
Placement of pledged bank deposits	**(77,212)**	(51,335)
Withdrawal of pledged bank deposits	**65,700**	8,500
Proceeds from disposal of property, plant and equipment	**1,298**	104
Purchase of intangible assets	**(4,059)**	(24)
	(1,206,911)	(566,503)
Net cash used in financing activities:		
Proceeds from borrowings	**740,000**	520,513
Repayments of borrowings	**(641,975)**	(690,280)
Capital contribution from non-controlling interests	**—**	9,800
Payment on repurchase of shares	**(2,191)**	—
Dividends paid	**(219,428)**	(690,876)
Dividends paid to non-controlling interests	**(9,892)**	(17,472)
	(133,486)	(868,315)
Net decrease in cash and cash equivalents	**(848,380)**	(394,499)
Cash and cash equivalents at 1 January	**1,682,728**	1,509,280
Cash and cash equivalents at 30 June, represented by Bank balances and cash	**834,348**	1,114,781

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and the methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board:

IFRS 10	Consolidated Financial Statements;
IFRS 11	Joint Arrangements;
IFRS 12	Disclosure of Interests in Other Entities;
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance;
IFRS 13	Fair Value Measurement;
IAS 19 (as revised in 2011)	Employee Benefits;
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures;
Amendments to IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities;
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income;
Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle; and
IFRIC-Int 20	Stripping Costs in the Production Phase of a Surface Mine.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current interim period, the Group has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transactional guidance. IAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements. The impact of the application of IFRS 10 is set out below.

Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and IFRIC – Int 12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

The directors assess the application of IFRS 10 and conclude that the Group has had control over the investee which are consolidated into the condensed consolidated financial statements before the application of IFRS 10. Accordingly, the application of the adoption of IFRS 10 has had no material impact on the amounts reported in this condensed consolidated interim financial information.

Amendments to IAS 1 *Presentation of items of Other Comprehensive Income*

The amendments to IAS 1 introduce new terminology for statement of comprehensive income. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 required additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

The application of the above amendments to IFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

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

Six months ended 30 June 2013 (unaudited)

	Refrigerants	Polymers	Organic silicone	Certified Emission Reduction ("CER")	Dichloromethane, polyvinyl chloride ("PVC") and liquid alkali	Reportable and operating segments' total	Other operations	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
External sales	1,004,103	984,190	659,336	48,554	428,579	3,124,762	71,082	—	3,195,844
Inter-segment sales	468,957	—	2,816	—	26,640	498,413	206,827	(705,240)	—
Total revenue-segment revenue	1,473,060	984,190	662,152	48,554	455,219	3,623,175	277,909	(705,240)	3,195,844
SEGMENT RESULTS	25,091	295,890	23,250	49,047	(36,221)	357,057	2,416	—	359,473

Reconciliation of segment results to consolidated profit before tax for the period:

Unallocated corporate expenses	(55,968)
Unallocated other income	5,302
Finance costs	(63,477)
Share of results of associates	168
Profit before tax	245,498

Six months ended 30 June 2012 (unaudited)

	Refrigerants *RMB'000*	Polymers *RMB'000*	Organic silicone *RMB'000*	CER *RMB'000*	Dichloromethane, PVC and liquid alkali *RMB'000*	Reportable and operating segments' total *RMB'000*	Other operations *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
External sales	1,354,868	1,034,700	558,010	106,273	556,466	3,610,317	26,670	—	3,636,987
Inter-segment sales	655,555	—	2,427	—	50,098	708,080	198,443	(906,523)	—
Total revenue-segment revenue	2,010,423	1,034,700	560,437	106,273	606,564	4,318,397	225,113	(906,523)	3,636,987
SEGMENT RESULTS	271,873	497,352	(41,638)	77,827	52,449	857,863	(26,462)	—	831,401

Reconciliation of segment results to consolidated profit before tax for the period:

Unallocated corporate expenses	(101,151)
Unallocated other income	2,848
Finance costs	(68,941)
Share of result of an associate	(27)
Profit before tax	664,130

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

Inter-segment sales are charged at prevailing market rates.

4. OTHER INCOME

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Government grants	**8,330**	5,694
Bank deposits interest income	**5,595**	8,406
Interest income on entrusted loans	**43,984**	38,551
Dividend income from available-for-sale investments	**5,302**	2,848
Others *(Note)*	**31,352**	3,723
	94,563	59,222

Note: Included an amount of compensation received from an independent third party on Shandong Dongyue HFC-23 Decomposition Project ("CDM Project") amounting to approximately RMB24,869,000 due to its failure to fulfil its obligations as stated in the agreement, in accordance with the contractual agreement entered into by the Group with the independent third party (six months ended 30 June 2012: nil).

5. INCOME TAX EXPENSE

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current PRC Enterprise Income Tax	**(81,844)**	(202,934)
Deferred tax:		
— withholding tax for distributable profits of PRC subsidiaries	**(6,351)**	(13,307)
— others	**33,036**	(13,513)
	26,685	(26,820)
Total income tax expense	**(55,159)**	(229,754)

Note: According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui [2008] No. 1, dividend distributed out of the profits generated since 1 January 2008 held by the PRC entity shall be subject to Enterprise Income Tax pursuant to Articles 3 and 27 of the Income Tax Law concerning Foreign Investment Enterprises and Foreign Enterprises and Article 91 of the Details Rules for the Implementation of the Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises.

6. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging the following items:

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cost of inventories recognised as expenses	**2,684,017**	2,650,160
Depreciation of property, plant and equipment	**307,982**	272,025
Release of prepaid lease payments	**6,001**	5,276
Amortisation of intangible assets (included in cost of sales)	**3,546**	427
Loss on disposal of property, plant and equipment	**144**	62
Net foreign exchange losses	**6,535**	1,632

7. DIVIDENDS

During the current interim period, a final dividend of HK$0.130 per share in respect of the year ended 31 December 2012 (2011: HK$0.400 per share in respect of the year ended 31 December 2011) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to HK$275,672,000, equivalent RMB219,428,000 (2011: HK$848,221,000, equivalent RMB690,876,000).

The directors determined not to make interim dividend for the six months ended 30 June 2013 and 2012.

8. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings for the purposes of basic earnings and diluted earnings per share	**211,711**	432,675

	Number of shares	
	Six months ended	
	30.6.2013	30.6.2012
	'000	*'000*
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**2,120,525**	2,120,552

The computation of diluted earnings per share for the six months ended 30 June 2012 and 2013 does not assume the exercise of the Company's outstanding share options granted on 1 June 2011 because the corresponding exercise prices of these share options were higher than the average market price of the shares during the six months ended 30 June 2012 and 2013.

9. TRADE AND OTHER RECEIVABLES

	30.6.2013	31.12.2012
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**1,007,536**	798,764
Less: allowance for doubtful debts	**(8,334)**	(8,304)
	999,202	790,460
Prepayment for raw materials	**69,170**	59,230
Value added tax recoverable	**20,246**	34,096
Deposits and other receivables	**20,322**	10,405
	1,108,940	894,191

Included in the trade receivables are bills receivable amounting to RMB461,689,000 (31 December 2012: RMB453,327,000).

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

	30.6.2013	31.12.2012
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 90 days	**629,687**	582,142
91-180 days	**350,172**	192,914
181-365 days	**19,343**	15,404
	999,202	790,460

10. TRADE AND OTHER PAYABLES

	30.6.2013	31.12.2012
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**954,962**	590,809
Receipt in advance from customers	**89,967**	60,254
Payroll payable	**257,382**	288,288
Payable for CDM Project *(Note a)*	**26,764**	146,047
Payable for property, plant and equipment	**147,407**	148,476
Other tax payables	**19,787**	17,211
Withholding individual income tax payable in connection with the acquisition of a subsidiary *(Note b)*	**104,400**	—
Deposits received	**69,762**	—
Other payables and accruals	**63,387**	74,405
Total	**1,733,818**	1,325,490

Notes:

a) According to the relevant PRC regulation, 65% of the proceeds from CDM Project belong to the PRC government and the Group has collected this portion on behalf of the PRC government.

b) Under the Individual Income Tax of the PRC, the amount represented the Group's obligation to withhold 20% income tax, which is levied on equity transfer from individual shareholder of Shangdong Huaxia Shenzhou New Materials Company Limited ("Huaxia Shenzhou").

Included in the trade payables are bills payable amounting to RMB309,552,000 (31 December 2012: RMB30,730,000). Bills payable were secured by the Group's pledged bank deposits.

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

	30.6.2013	31.12.2012
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 30 days	**606,749**	423,757
31-90 days	**125,055**	70,257
91-180 days	**185,953**	62,326
181-365 days	**21,349**	15,724
1-2 years	**4,746**	8,678
More than 2 years	**11,110**	10,067
	954,962	590,809

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2013, despite signs of economic recovery in the U.S, the economic conditions in Europe and other regions remained uncertain and the growth of domestic economy continued to slow down which adversely affected the overall economy. Facing the declining market demand, the prices of fluorochemical products continued to suffer deeply during the first half of the year in light of the generally depressed fluoro-chemical industry. As a result, the operations of Dongyue Group Limited (the "Company") and its subsidiaries (together the "Group") encountered various difficulties in the first half of the year. Notwithstanding this, the Group still achieved promising results under such unfavorable environment by leveraging its distinctive advantages in areas such as research, innovation, brand and scale:

1. The sales volume of products and market share continued to increase. Although the drop in price led to a decrease in sales revenue in the first half of 2013 as compared to the same period last year, the sales volume of the Group's products such as refrigerants, polymers and organic silicone increased as compared to the same period last year with expanded market shares.

2. Product mix became more diversified and the product structure was further optimized. For the first half of the year, the Group introduced 20 new products in total such as hydrogen silicone oil and DMC linear products under the organic silicone business segment and the modified dispersion resins and modified emulsions under the polymer business segment via in-house R&D. Through the Group's acquisition of Huaxia Shenzhou, new products such as FEP, PVDF and FKM under the polymer business segment were launched. With the expansion of production capacity of the products such as PTFE, organic silicone monomers, gaseous silica and 107 Silicone Rubber, the competitive edges of the Group became more obvious.

3. Technological capability continued to be strengthened with further enhancement in process management. For the first half of 2013, the Group has completed 23 projects in relation to technological revamp, energy saving and emission reduction, of which 9 projects have been steadily carried out for over 2 months. It is worth mentioning that, the organic silicone business segment has completely turned around from the loss suffered in the previous year and maintained profitable growth in the first half of 2013 as a whole by undergoing technological innovation and product upgrade.

4. Brand recognition was further improved and social influence gathered strength. Through formulating and implementing the scheme of "attaining high quality services by visit", the incentive measures of "maintaining profit, market share and brand image" were fully implemented and the "3 zeros" commitment was realized, which enhanced the market reputation of the Group. The chairman of China Federation of Industry & Commerce and leaders from Shandong province, other provinces and municipals showed great recognition and appreciation in respect of the development concept and achievement of the Company.

Future Prospects

The future economy is still overclouded by various uncertainties. After the boom of fluorochemical industry, it has been going through the cold winter for one and a half years. This situation was further aggravated with continuous increase of production capacity for the past two years, which resulted in urgent needs for transformation and upgrade for the fluorochemical industry. This has imposed great challenges for future operation of the Group.

However, upholding the business objectives of innovative transformation and improved skills, the Group is heading towards high-end sectors by introducing new technologies, products and projects. We have seized the market with our high quality technical services, actively adapted to the market changes and performed proactively in face of competition. In the second half of 2013, the Group will make unremitting efforts in the following areas:

1. To highlight the technological pioneering strategy. We are dedicated to attain perfection and specialization in full fledge for our products and focus on areas such as substitution imports, downstream processing, high-end research and development, recruitment of talents and seeking for cooperation, as well as further optimizing the incentive mechanism for new product research and development.

2. To strengthen quality control and increase market share. To gain market share, we will strengthen the equipment management, introduce advanced machinery, improve process control and side product management and utilize our advantages in providing high quality products and technical services.

3. To firmly promote project construction. We will not only capture a good opportunity for construction with lower cost and further maximize our product structures, but also our economy of scale to ensure our status within the industry.

4. To carry out vigorously our policy research work. We will endeavor to carry out research on the land use, electricity and energy saving and emission reduction and strategic investment in selected industries so as to ensure the high efficiency of our business policy.

5. To steadily foster the project construction of "Dongyue International". The "Dongyue International" project is an integrated project which provides high-end residential real estate and public utilities with the functional membrane research and development center as its core. Subject to the stringent quality control, the progress of project will also be assured; and

6. To emphasize work safety and environmental protection. We will ensure the standard of environmental protection being attained in all aspects without any occurrence of major safety incident.

The fluoro silicone materials have non-substitutable and favorable characters which can be widely applied in various aspects and more new applications are yet to be identified, thus the fluoro silicone industry should have great development potential in the future. As the leading enterprise in the fluorochemical industry, the Group has always taken the initiatives to develop the organic silicone business segment through technological advancement and new product development. In the first half of 2013, the business segment succeeded in turning losses into profit and will become a new source of profit growth in the future. The management is confident to our future development and will continue to maintain our stable operation and capture the opportunities admidst the changing environment so as to bring long-term and stable return to the Shareholders.

Financial review

Results Highlights

For the six months ended 30 June 2013, the Group recorded revenue of approximately RMB3,195,844,000, representing a decrease of 12.13% over RMB3,636,987,000 of the corresponding period last year. The gross profit margin decreased to 16.02% (corresponding period of 2012: 27.13%) and the consolidated segment results margin* was 11.25% (corresponding period of 2012: 22.86%). The operating results margin was 9.66% (corresponding period of 2012: 20.16%). Should the CER segment and expenses on share options granted to the employees and the Directors be excluded, the operating results margin of the Group was 9.78% (corresponding period of 2012: 21.15%). During the period, the Group recorded profit before tax of approximately RMB245,498,000 (corresponding period of 2012: RMB664,130,000), and net profit of approximately RMB190,339,000 (corresponding period of 2012: RMB434,376,000), while consolidated profit attributable to the Company's owners was approximately RMB211,711,000 (corresponding period of 2012: RMB432,675,000). Basic earnings per share were RMB0.10 (corresponding period of 2012: RMB0.20). The unaudited consolidated results of the Group have been reviewed by the Audit Committee and the external auditor of the Company.

* Consolidated Segment Results÷Revenue×100%

Segment Revenue and Operating Results

Set out below is the comparison, by reportable and operating segments, of the Group's revenue and results for the six months ended 30 June 2013 and the six months ended 30 June 2012:

Reportable and Operating Segments	**For the six months ended 30 June 2013**			For the six months ended 30 June 2012		
	Revenue	**Results**	**Operating Results Margin**	Revenue	Results	Operating Results Margin
	RMB'000	***RMB'000***		*RMB'000*	*RMB'000*	
Refrigerants	**1,473,060**	**25,091**	**1.70%**	2,010,423	271,873	13.52%
Polymers	**984,190**	**295,890**	**30.06%**	1,034,700	497,352	48.07%
Organic silicone	**662,152**	**23,250**	**3.51%**	560,437	(41,638)	-7.43%
CER	**48,554**	**49,047**	**101.02%**	106,273	77,827	73.23%
Dichloromethane, PVC and Liquid Alkali	**455,219**	**(36,221)**	**-7.96%**	606,564	52,449	8.65%
Others	**277,909**	**2,416**	**0.87%**	225,113	(26,462)	-11.75%
	3,901,084	**359,473**	**9.21%**	4,543,510	831,401	18.30%
Less: Inter-segment sales	**(705,240)**	**—**	**—**	(906,523)	—	—
Consolidated	**3,195,844**	**359,473**	**11.25%**	3,636,987	831,401	22.86%

Analysis of Revenue and Operating Results

During the year ended 31 December 2012, due to the bleak domestic and overseas economic environment, which was initiated by the vulnerable U.S. economic recovery process and the issue of European debt crisis, uncertainties in the prospect of the fluorochemical industry and the slowdown in the domestic economic growth in the People's Republic of China (the "PRC"), the fluorochemical industry was adversely affected by the decreases in both demand and selling prices of fluorochemical products. Such unfavourable market sentiment has not turned around during the current period under review. In addition, additions of new capacities in the industry by the peers have led to an increase in supply of fluorochemical products, which further intensified the issue.

Under this unfavourable market condition, with its scalable vertically integrated self-sufficient value chain, the Group continued to capitalize on its leading market position, strong R&D capabilities and extensive sales network to expand its production capacities, to upgrade its technology level, and to optimize its product mix. As a result, during the current period under review, the Group strived to increase its overall production and sales volumes year-on-year. However, the Group experienced substantial decrease in the selling prices of its fluorochemical products year-on-year, which led to a substantial decrease in the gross profit margin of the Group during the current period under review. Although the Group completed the acquisition of Huaxia Shenzhou (the "Acquisition") in February 2013 and has started to consolidate the financial results of Huaxia Shenzhou after the completion, the contributions from Huaxia Shenzhou cannot fully mitigate the negative impact arising from the decrease in the selling prices in the fluorochemical industry. Although the raw material costs decreased simultaneously, such decreases cannot be able to mitigate the negative impacts arising from the decrease in selling prices of the Group's products, resulting in the overall decrease in their profit margins.

Refrigerants

During the current period, the refrigerants segment remained to be the largest revenue contributor to the Group's revenue, accounting for approximately 31.42% (excluding inter-segment sales). The revenue decreased by 26.73% to RMB1,473,060,000 from RMB2,010,423,000 of the corresponding period last year. This segment includes the revenue from the manufacturing and sale of traditional refrigerants products (mainly R22) and new green and environmental-friendly refrigerants products (mainly R32, R125, R134a, R142b, R152a and R410a and so forth). The Group sells refrigerants products externally to both domestic and international customers and internally (mainly R22 and R142b) for its polymers business segment.

The slowdown in the PRC's property market, the home appliance products end-market and other relevant industries has all negatively affected the domestic refrigerants market. Moreover, the depressed raw materials prices (such as fluorspar, AHF and methane chloride), resulting from the weak economic momentum and rapid increase in the capacities in recent times, and the weakness in the domestic and worldwide economy has intensified the fall in the selling prices of the Group's refrigerants products as compared to those of the corresponding period last year. However, thanks to the steady demand for R22 and its leading market position, the Group can be able to record growth in the sales volume of R22 and certain green refrigerants (such as R125, R142b and R410a) year-on-year. But the Group experienced decrease in sales volume of certain categories such as R134a, R32, R439a and R152a, which resulted mainly from the general weakness in the automobile and home appliance products markets and the adjustment of the Group's product mix.

Being the backbone refrigerants product of the Group with the largest production capacity in the world, R22 is the most widely used refrigerant in the PRC and is generally used in household appliances. Apart from that, it has been one of the key raw materials for the production of the fluoropolymers and R125. R125 and R32 are the key mixing ingredients for other types of green refrigerants (such as R410a and R439a (independently developed by the Group)). In the second half of 2012, the Group added an additional capacity of 8,000 tonnes of R125, which was based on a more advanced production method (PCE method).

During the current period under review, notwithstanding the cooling down of the domestic home appliances market, the Group can be able to record an increase in sales volume of R22 year-on-year, which was mainly attributable to the continued increase in export volume as a result of continuing closing down of the relevant global capacity. Disapproval of new capacity of R22 by the PRC government pursuant to the Montreal Protocol and its wide applicability also led to the moderate increase in the domestic sales volume year-on-year. In addition, the increase in internal demand for R22 by the Group's polymers business segment as a result of increase in production quantities of PTFE and HFP contributed to such increase in sales volume of R22.

Pursuant to the Montreal Protocol, R22 would be phased out as a refrigerant and would be replaced by other green refrigerants. Currently, R410a and R439a have been the two principal replacing refrigerants which have been widely applied in inverter air conditioners and other green home appliances. During the current period under review, the Group modified its strategy by promoting R410a which has been more widely accepted by the market. As a result, the Group experienced decrease in the sales volume of R439a year-on-year. However, the Group commenced to manufacture R410a and sold a total of approximately 6,600 during the current period under review, and therefore, the negative impacts arising from the decrease in the sales volume of R439a can all been mitigated. The steady increase in the sales volumes of such green refrigerants as R125 and R410a indicates that green refrigerants would gradually substitute R22 as a refrigerant going forward.

Apart from the fact that R142b can be used as refrigerant, temperature controller medium, or intermediates of aviation propellant, it can also be one of the main raw materials for the production of VDF (Vinylidene Fluoride), the production of which Huaxia Shenzhou has been presently engaging in. The Acquisition can enable the Group to secure a stable and reliable source of demand for the Group's R142b product, and the growing demand for R142b by Huaxia Shenzhou for its increased production volumes also led to the increase in the sales volume of R142b achieved by the Group during the current period year-on-year.

Notwithstanding the increase in sales volume of this business segment, during the first half year of 2013, as the Group recorded a substantial fall in the average selling prices of all of its refrigerants products, the sales revenue of this segment declined accordingly as compared to the same period last year.

The results of the refrigerants segment contributed 6.98% (corresponding period of 2012: 32.70%) of the total segment results of the Group, while its segment results margin was 1.70%, compared with 13.52% of the corresponding period last year. In the first half of 2013, there was significant fall in the selling prices of the Group's refrigerants products. Notwithstanding the fact that the raw materials (fluorspar, AHF, methane chloride, sulfuric acid, methanol, industrial salt, etc.) cost decreased significantly, such decreases are not able to offset entirely the impact arising from the decrease in the selling prices, leading to the overall decrease in this segment results margin.

Polymers

Thanks to the consolidation of Huaxia Shenzhou's financial results by the Group, in the first half year of 2013, the revenue from the polymers segment merely decreased by 4.88% to RMB984,190,000 from RMB1,034,700,000 of the corresponding period last year. Polymers segment is the second largest contributor to the revenue of the Group, accounting approximately 30.80% of the consolidated revenue of the Group during the current period, and together with organic silicone segment of the Group, are regarded as falling within the "New Material Industry of China" with huge potential and business prospects.

The segment mainly includes the revenue from the production and sales of PTFE (a synthetic fluoropolymer with high level of resistance to temperature changes, electrical insulation, and ageing and chemical resistant that is used as a coating material and can also be further processed into high-end fine chemicals which can be widely applied in the chemicals, construction, electrical and electronics and automotive industries.) and HFP (a primary raw material to produce downstream fine fluorochemicals such as FEP (Fluorinated Ethylene Propylene) and FKM (fluororubber)). During the current period, this segment further includes the revenue from the production of sales of a variety of downstream fluoropolymer fine chemicals including PVDF (Polyvinylidene Fluoride), VDF, FEP and FKM, in which Huaxia Shenzhou has been engaging.

Depending on the specific market requirements, PTFE is produced and sold in the forms of suspension medium grain, suspension fine powders, dispersion resins and concentrate liquid. R22 is the basic and important raw material for TFE (a fluorocarbon), which is used by the Group for the production of PTFE and HFP. In addition, Huaxia Shenzhou has been relying on the supply of R22, R142b and HFP by the Group as the raw materials for the production of FEP, FKM and VDF (a raw material for the production of PVDF).

With the weaknesses of its end-application markets, which translate into weakened domestic and international demand for the Group's products, coupled with the depressing raw material cost (R22) and the increase in supply in the relevant industry, this segment saw a significant year-on-year decline in the selling prices of PTFE and HFP in the first half year of 2013, which negatively affected the sales revenue and the results margin of this segment. However, the Group is able to record growth in the sales volumes of both PTFE and HFP, which are attributable to (1) the increase in the production capacities of TFE and PTFE (the Group added further 7,000 tonnes of PTFE annual production capacity in December 2012), and (2) the launching of new products. Furthermore, the associated positive effects arising from the consolidation of Huaxia Shenzhou's financial results can partly mitigate the negative impacts arising from the fall in the selling prices.

This segment contributed 82.31% (corresponding period of 2012: 59.82%) to the total segment results of the Group, while its segment results margin decreased to 30.06% from 48.07% of the corresponding period last year.

The following is a summary of the financial results of Huaxia Shenzhou from the completion of the Acquisition to the end of June 2013 being consolidated into the Group's condensed statement of profit or loss and other comprehensive income for the current period under review:

	RMB'000
Revenue-external sales	243,870
Profit for the period	50,819

Organic Silicone

Accounting for 20.63% (excluding inter-segment sales) of the consolidated revenue of the Group for the current period under review, the revenue coming from the organic silicone business segment increased by 18.15% to RMB662,152,000 from RMB560,437,000. This segment mainly includes the production and sales of DMC (upstream organic silicone intermediates that are used as raw materials to produce deep proceeded mid-stream and downstream silicone products, such as silicone oils, silicone rubber and silicone resins), 107 Silicone Rubber, Raw Vulcanizate and Gross Rubber (deep proceeded silicone downstream products, where Raw Vulcanizate is a key raw material for producing Gross Rubber), and other by-products and high-end downstream products, such as Gaseous Silica, Silicone Oils and Trimethylchlorosilane. Named as "Industrial MSG", organic silicone is widely applied in military, aviation, automotive, electronic, construction and other industries, mainly in the form of additives, treatment chemicals stabilizers, lubricants and sealants and are a key ingredient in industrial processes. The Group initially produces silicone monomers with silicone powder and internally-generated chloromethane and further processes them to become silicone intermediates (mainly DMC), with which the Group produces such deep processed mid-stream and downstream products as silicone rubbers). The Group can also be able produce and generate other by-products and high-end downstream products, such as Gaseous Silica, Silicone Oils and Trimethylchlorosilane through its production processes.

Starting from September 2012, the Group has been taking a number of measures and associated technological revamp projects with the intention to improve the technological efficiencies and leverages, and to optimize its usage of operating wastages and re-cycling efforts. Furthermore, the market of organic silicone has not been further aggravated. As a result, the Group has experienced moderate increases in both its sales volumes and selling prices of its fundamental products year-on-year, such as DMC, 107 Silicone Rubber, Raw Vulcanizate and Gross Rubber. In addition, thanks to the increase of 3,000 tonnes per annum for Gaseous Silica and the achievement in the operating efficiencies for the Group's production processes, the Group can be able to record a surge in the sales volume of the Group's Gaseous Silica and Silicone Oils. All the above factors principally accounted for the increase in the sales revenue of this segment year-on-year.

During the current period, the Group can be able to achieve remarkable improvement in its operating efficiencies through its production synergies, optimizing the rate of utilizing wastage and ancillary chemical and increasing its yield rate of its production processes. As a result, the Group can achieve a fall in its production costs within this business segment. Together with the moderate increase in the selling prices of the Group's fundamental products and substantial increase in the selling price of the Group's Gaseous Silica, the Group can turn to an operating profit of RMB23,250,000 during the current period under review, compared to operating loss of RMB41,638,000 for the corresponding period last year, which translated to segment results margin of 3.51% (corresponding period of 2012:-7.43%).

Dichloromethane, PVC and Liquid Alkali

This segment includes the revenue from the production and sale of the Group's two main side products of the Group's refrigerants segment (dichloromethane and liquid alkali) and the Group's PVC products.

During the current period, accounting for approximately 13.41% (excluding inter-segment sale) of the Group's consolidated revenue in the first half of 2013, the revenue for this segment decreased by 24.95% to RMB455,219,000 from RMB606,564,000 of the corresponding period last year.

Liquid alkali is a basic chemical by-product from the production of the Group's methane chloride, and is used in the textile, power and materials industries. Methane chloride includes dichloromethane, which is mainly used to manufacture antibiotics and as a foaming mode for polyurethane. Dichloromethane is not required to be used for the Group's production processes. The Group engaged in the production of PVC (a widely used thermoplastic polymer applied in the construction industry to replace traditional building materials). The production of refrigerants products generates a chemical, hydrogen chloride, which is one of the basic raw material for PVC production. Therefore, the Group's PVC production can ensure production synergies and increasing economic value generated from a self-sufficient business chain.

During the current period under review, while the sales volumes of PVC, liquid alkali and dichloromethane products were stable as compared to the same period last year, the selling price of dichloromethane product experienced a significant drop year-on-year as a result of the weakness of the manufacturing industries and downturn in the methane chloride market, which principally led to a drop in the sales revenue of this segment.

During the current period, as a result of market downturn in the chemical industry, this segment turned into recording an operational loss of RMB36,221,000, compared with segment profits of RMB52,449,000 in respect of the six months period ended 30 June 2012. All the products in this segment recorded different levels of operating losses. However, the Group was able to alleviate the operating loss of the PVC product year-on-year.

CER

During the current period, the Group sold a total of approximately 3,224,000 (six months ended 30 June 2012: 7,136,000) tonnes of CER units and a total amount of RMB48,554,000 (six months ended 30 June 2012: RMB106,273,000) was recorded by the Group as the CER revenue in respect of the Group's CDM Project for 2012 third and fourth quarters, which have been confirmed and endorsed by United Nations Framework Convention on Climate Change ("UNFCCC"). In the wake of the weakness of the worldwide CER market, majority of the Group's CER units can only be able to be sold at the minimum price of US$6.5 per each CER unit as stipulated by the PRC government.

During the current period, the sales volume of CER units dropped substantially as one of the Group's CER customers terminated the CER purchase agreement with the Group by compensating the Group with an amount of USD4 million (equivalent RMB24,869,000) as the condition for the termination.

As the registration of the CDM Project with UNFCCC expired on 31 December 2012, the Group has currently been in active negotiation with UNFCCC in order to extend the relevant registration.

Others

This segment included the revenue from the production and sale of the Group's other side and by-products of the Group's various operating segments.

During the current period, accounting for approximately 2.22% (excluding inter-segment sale) of the Group's consolidated revenue in the first half of 2013, the revenue for this segment increased by 23.45% to RMB277,909,000 from RMB225,113,000 of the corresponding period last year, and this segment turned to an operational profit of RMB2,416,000 from operational loss of RMB26,462,000 of the corresponding period last year.

Distribution and Selling Expenses

During the period, the distribution and selling expenses increased by 18.71% to RMB118,368,000 from RMB99,713,000 of the corresponding period last year, which was mainly due to (1) the increase in the sales volume of the Group year-on-year and (2) the Acquisition.

Administrative Expenses

During the period, the administrative expenses decreased by 22.50% to RMB149,143,000 from RMB192,444,000 of the corresponding period last year. The decrease was mainly due to the decrease in the payroll expenses (including the expenses on share options granted to the Directors and the employees). Should the relevant expenses on share options be excluded, the administrative expenses during the period were RMB101,044,000 (corresponding period last year: RMB101,042,000).

Finance Costs

During the period, the finance costs decreased by 7.93% to RMB63,477,000 from RMB68,941,000 of the corresponding period last year. This was mainly due to the decrease in the average interest rate of the Group's borrowings.

Capital expenditure

For the six months ended 30 June 2013, the Group's aggregate capital expenditure was approximately RMB891,691,000 (six months ended 30 June 2012: RMB231,880,000). The Group used an amount of RMB590,000,000 to acquire the entire equity interest in Huaxia Shenzhou and used the remaining amount of capital expenditure mainly for the acquisition of fixed assets including the equipment and facilities for the Group's expansion projects in (1) the 10,000 tonnes per annum of TFE, (2) the 5,000 tonnes per annum of PTFE, and (3) various expansion in capacities of high-end mid-stream and downstream organic silicone products, and for the Group's various technological revamp, energy saving and emission reduction projects.

Liquidity and Financial Resources

The Group's financial position is sound with healthy working capital management and strong operating cash flow. As at 30 June 2013, the Group's total equity amounted to RMB5,233,785,000, representing an increase of 0.13% compared with 31 December 2012. As at 30 June 2013, the Group's bank balances and cash totaled RMB834,348,000 (31 December 2012: RMB1,682,728,000). During the current period under review, the Group generated a total of RMB492,017,000 (six months ended 30 June 2012: RMB1,040,319,000) cash inflow from its operating activities. The current ratio[(1)] of the Group as at 30 June 2013 was 1.50 (31 December 2012: 1.80).

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

Capital Structure

There has been no change in the share capital of the Company during the period under review. As at 1 January and 30 June 2003, the number of issued shares of the Company was 2,120,552,455.

As at 30 June 2013, the borrowings of the Group totaled RMB2,132,773,000 (31 December 2012: RMB1,912,098,000). The gearing ratio(2) of the Group was 19.88% (31 December 2012: 4.20%).

Group Structure

During the current period under review, Shandong Dongyue Polymers Co., Ltd., a wholly-owned subsidiary of the Company, acquired the entire equity capital in Huaxia Shenzhou. Huaxia Shenzhou is a company established in the PRC and is principally engaged in the business of the production and sale of a variety of downstream fluoropolymer fine chemicals, which is related to the reportable and operating segment of “Polymers” of the Group.

Save as disclosed above, there has been no change in the structure of the Group.

Notes:

(1) Current Ratio = Current Assets ÷ Current Liabilities

(2) Gearing Ratio = Net Debt ÷ Total Capital

Net Debt = Total Borrowings – Bank Balances and Cash

Total Capital = Net Debt + Total Equity

Charge on Assets

As at 30 June 2013, the Group had certain property, plant and equipment and lease prepayments with an aggregate carrying value of approximately RMB465,491,000 (31 December 2012: RMB751,261,000), and bank deposits of RMB88,582,000 (31 December 2012: RMB20,570,000), which were pledged to secure the Group’s borrowings and the bills payable of the Group.

Exposure to Fluctuations in Exchange Rates and Related Hedges

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

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

Employees

The Group employed 6,657 employees in total as at 30 June 2013 (31 December 2012: 5,887). The Group implemented its remuneration policy, bonus and share option schemes based on the performance of the Group and its employees. The Group provided benefits such as medical insurance and pensions to ensure competitiveness.

Interim Dividend

The Board of Directors (the "Board") did not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

OTHER INFORMATION

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

During the current period, the Company repurchased, on The Stock Exchange of Hong Kong Limited (the "HKSE"), a total of 933,000 ordinary shares of the Company (the "Buyback Shares") at a price range of HK$2.92 to HK$2.99 per share. The aggregate consideration for the Buyback Shares is approximately HK$2,753,000, which was funded from internal resources of the Company. The Buyback Shares were validly cancelled on 4 July 2013.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2013.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on the HKSE. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the six months ended 30 June 2013 and all Directors confirmed that they have fully complied with the relevant requirements set out in the Model Code during the period.

Audit Committee

The Audit Committee of the Company was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. The existing Audit Committee comprises Mr. Ting Leung Huel, Stephen (Chairman), Mr. Liu Yi and Mr. Yue Run Dong, all being independent non-executive Directors.

The Audit Committee met with the management and external auditors on 20 August 2013, 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 interim results for the six months ended 30 June 2013, which have been reviewed by the Group's external auditors, before proposing them to the Board for approval.

Remuneration Committee

The Company has established a Remuneration Committee with written terms of reference to consider for the remuneration for Directors and senior management of the Company and other related matters. The Remuneration Committee comprises Mr. Liu Yi (Chairman) and Mr. Ting Leung Huel, Stephen, who are independent non-executive Directors, and Mr. Zhang Jianhong who is an executive Director.

Nomination Committee

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

Corporate Governance Committee

The Corporate Governance Committee was established by the Board with written terms of reference with effect from 21 March 2013 to be responsible for the corporate governance of the Company and other related matters. Mr. Zhang Jianhong was appointed as the chairman of the Corporate Governance Committee and Mr. Liu Chuanqi and Dr. Wu Tao were appointed as the members of the Corporate Governance Committee.

Compliance with the Code on Corporate Governance Practices

The HKSE has promulgated the Hong Kong Code on Corporate Governance Practices (the "Code") which came into effect for listed issuers' first financial year commencing on or after 1 January 2005. During the year ended 31 December 2011, the HKSE has made revision to the Code ("the Revised Code") which becomes effective from 1 April 2012.

Throughout the six months ended 30 June 2013, save as disclosed below, the Company has complied with the Code and the Revised Code as set out in Appendix 14 to the Listing Rules.

Code and Revised Code Provision A.2.1

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

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

ANNOUNCEMENT OF INTERIM RESULTS AND PUBLICATION OF INTERIM REPORT

This interim results announcement is published on the Company's website at www.dongyuechem.com and the website of the HKSE at www.hkexnews.hk. The Interim Report will also be available at the websites of the Company and the HKSE and will be dispatched to shareholders of the Company before the end of September 2013.

By Order of the Board
Dongyue Group Limited
Zhang Jianhong
Chairman

The PRC, 20 August 2013

As at the date of this announcement, the Board comprised Mr. Zhang Jianhong, Mr. Fu Kwan, Mr. Liu Chuanqi, Mr. Cui Tongzheng, Dr. Wu Tao and Mr. Zhang Jian as executive Directors; and Mr. Ting Leung Huel, Stephen, Mr. Liu Yi and Mr. Yue Run Dong as independent non-executive Directors.