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DONGYUE GROUP LIMITED

東岳集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 189)

DISCLOSEABLE TRANSACTION

ACQUISITION OF THE ENTIRE EQUITY CAPITAL IN A FLUOROPOLYMER MATERIAL MANUFACTURING COMPANY

The Board is pleased to announce that on 25 January 2013, Dongyue Polymers, a wholly-owned subsidiary of the Company, entered into the Equity Interest Transfer Agreement with the Vendors for the purchase of the entire equity capital in Huaxia Shenzhou for an aggregate consideration of RMB590 million.

As each of the relevant percentage ratios as set out under Rule 14.07 of the Listing Rules exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules.

The Board is pleased to announce that on 25 January 2013, Dongyue Polymers, a wholly-owned subsidiary of the Company and the Vendors entered into the Equity Interest Transfer Agreement pursuant to which Dongyue Polymers agreed to, subject to the satisfaction of conditions, purchase from the Vendors, the entire equity capital in Huaxia Shenzhou for an aggregate cash consideration of RMB590 million. Upon completion, Huaxia Shenzhou will become a wholly-owned subsidiary of the Company.

The details of the Equity Interest Transfer Agreement are set out below.

EQUITY INTEREST TRANSFER AGREEMENT DATED 25 JANUARY 2013

Vendors

- (1) Ms. Zhang
- (2) Taibao Packaging

Purchaser

Dongyue Polymers, a wholly-owned subsidiary of the Company

Interests to be acquired

The entire equity capital in Huaxia Shenzhou

Consideration

The aggregate consideration for the Acquisition is RMB590 million, payable by Dongyue Polymers in cash in the following manner:

- (a) RMB100,000 as a deposit within 10 business days of signing of the Equity Interest Transfer Agreement to each of the Vendors; and
- (b) the remaining balance of the consideration, being RMB589.8 million, at completion of the Acquisition.

The respective interest to be transferred by and the consideration (including the deposit) payable to each of the Vendors are set out in the following table:

Vendor	Respective interest (as a percentage of the total equity capital of Huaxia Shenzhou) to be transferred	Consideration (including the deposit) payable by Dongyue Polymers (RMB)
Ms. Zhang	90%	531 million
Taibao Packaging	10%	59 million

The aggregate consideration for the Acquisition was arrived at after arm's length negotiations between Dongyue Polymers and the Vendors, taking into account, amongst other things, (a) the net asset value of Huaxia Shenzhou as at 31 December 2012, being RMB402.36 million based on its unaudited management accounts for the year ended 31 December 2012 and (b) the patents, know-how, technologies and trademarks of Huaxia Shenzhou.

The Acquisition will be funded by the Group's internal cash resources. The funding requirement for the Acquisition is not expected to have any material financial impact on the Group.

Information on Huaxia Shenzhou

Huaxia Shenzhou was established in Zibo, Shandong Province, the PRC as a limited liability company in 2004, with a registered capital of RMB10 million. It is principally engaged in the business of the production and sale of a variety of downstream fluoropolymer fine chemicals including VDF, PVDF, FKM and FEP. Viewed as "new materials" in the PRC, these fluoropolymer fine chemicals have favourable characters which can be widely applied in various aspects such as electrical and electronics, automotive and painting industries. In addition, Huaxia Shenzhou has acquired various patented technological know-how in the areas of high-end fluoro-resins and other high-end fluoropolymer materials. In the course of production, Huaxia Shenzhou requires the supply of refrigerants and fluoropolymer products such as R22, R142b, HFP, and PTFE where the Group has been acting as one of its major suppliers. The Group will continue to supply such materials to Huaxia Shenzhou as its wholly-owned subsidiary after completion of the Acquisition.

According to Huaxia Shenzhou's unaudited management accounts prepared under the PRC generally accepted accounting principles, as at 31 December 2012, Huaxia Shenzhou's total book value of assets was approximately RMB751.72 million and its net book asset value was approximately RMB402.36 million.

Based on the audited financial statements of Huaxia Shenzhou for the years ended 31 December 2011 and 31 December 2010, its profits before tax were approximately RMB197.82 million and RMB75.07 million respectively, and its profit after tax were approximately RMB167.98 million and RMB57.84 million respectively. Based on the unaudited management accounts of Huaxia Shenzhou for the year ended 31 December 2012, its profit before tax and its profit after tax were approximately RMB233.71 million and RMB198.65 million, respectively.

Conditions and Completion

Completion of the Equity Transfer Agreement by Dongyue Polymers is conditional upon, amongst other things, the following:

- (a) the representations and warranties of the Vendors being true and accurate at the date of completion and the Vendors having performed all of their obligations under the Equity Interest Transfer Agreement on or prior to the completion;
- (b) there being no provision of any applicable law or governmental order preventing or delaying the consummation of the Equity Interest Transfer Agreement and the transactions contemplated thereunder;
- (c) there being no litigation or proceeding against the Vendors which has the effect of delaying or preventing the Acquisition;
- (d) Huaxia Shenzhou having obtained all necessary governmental permits and licences for its ordinary course of business with no condition which may have a material adverse effect on the consummation of the Equity Interest Transfer Agreement attached and it having obtained all tax confirmations from the relevant tax authorities;
- (e) there being no material adverse change in the business or financial conditions of Huaxia Shenzhou;
- (f) all consents and approvals by the board of directors and shareholders required to be obtained by Huaxia Shenzhou having been obtained; and
- (g) the parties having obtained all necessary governmental approvals in connection with the Equity Interest Transfer Agreement.

Completion of the Equity Transfer Agreement by the Vendors is conditional upon, amongst other things, the following:

- (a) the representations and warranties of Dongyue Polymers being true and accurate at the date of completion and Dongyue Polymers having performed all of their obligations under the Equity Interest Transfer Agreement on or prior to the completion;
- (b) there being no provision of any applicable law or governmental order preventing or delaying the consummation of the Equity Interest Transfer Agreement and the transactions contemplated thereunder; and
- (c) there being no litigation or proceeding against Dongyue Polymers which has the effect of delaying or preventing the Acquisition.

The Directors currently expect that completion of the Acquisition will take place on or prior to 10 February 2013, failing which the parties have the right to terminate the Equity Interest Transfer Agreement, unless otherwise agreed.

INFORMATION ON THE PARTIES

The Group is principally engaged in the manufacture and sale of refrigerants, fluoropolymers (mainly PTFE and HFP) and other chemical products such as dichloromethane and liquid alkali.

Taibao Packaging is principally engaged in the manufacture and sale of packaging materials in the PRC.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendors (and in the case of Taibao Packaging, its ultimate owners) are third parties independent of and not connected with the Company and its connected persons.

REASONS FOR THE ACQUISITION

Fluoropolymer materials mainly include four types of chemicals, namely PTFE, FEP, FKM, and PVDF.

It is one of the Group's growth strategy to strengthen its integration of upstream and downstream production value chain in its fluororochemical and organic silicone businesses. For its fluoropolymer material business segment, the Group has been looking for opportunities to diversify into high-end fluoropolymer materials with new varieties and qualities.

Huaxia Shenzhou being one of the leading enterprise with strong business presence in the fluoropolymer industry in the PRC, the Board considers the Acquisition an important step forward in achieving its strategy of downstream integration. It allows the Group to achieve synergies and to diversify into the manufacture and sales of "deep-proceeded downstream high-performance products" such as VDF, PVDF, FEP and FKM and high-end fluoro-resins.

The Directors consider the terms of the Acquisition, which are normal commercial terms, to be fair and reasonable and the Acquisition is in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

There were no prior transactions between the Company and the Vendors which would be required to be aggregated with the Acquisition under Rule 14.22 of the Listing Rules.

As each of the relevant percentage ratios under Rule 14.07 of the Listing Rules exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules and is subject to notification and announcement requirements under the Listing Rules.

As completion of the Acquisition is conditional upon satisfaction of certain conditions, the Acquisition may or may not proceed. Shareholders of the Company and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

“Acquisition”	means the acquisition by Dongyue Polymers from Ms. Zhang and Taibao Packaging respectively, 90% and 10% of the equity interest in Huaxia Shenzhou, in accordance with the terms and conditions of the Equity Interest Transfer Agreement
“Board”	means the board of directors of the Company
“Company”	means Dongyue Group Limited
“Dongyue Polymers”	means Shandong Dongyue Polymers Co., Ltd* (山東東岳高分子材料有限公司), a wholly-owned subsidiary of the Company
“Directors”	means the directors of the Company
“FEP”	means fluoroethylenepropylene
“FKM”	means a collective team for fluoro-rubbers
“Group”	means the Company and its subsidiaries
“HFP”	means hexafluoropropylene
“Huaxia Shenzhou”	means Shandong Huaxia Shenzhou New Materials Company Limited* (山東華夏神舟新材料有限公司), a company established in the PRC
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Ms. Zhang”	means Ms. Zhang Xiumin (張秀敏), a PRC national
“PRC”	means the People’s Republic of China
“PTFE”	means polytetrafluoroethylene
“PVDF”	means polyvinylidene fluoride

“Taibao Packaging”	means Shangdong Taibao Packaging Products Company Limited* (山東泰寶包裝製品有限公司), a company established in the PRC
“VDF”	means vinylidene fluoride
“Vendors”	means Ms. Zhang and Taibao Packaging

By Order of the Board
Dongyue Group Limited
Zhang Jianhong
Chairman

* *For identification purposes only.*

The People’s Republic of China, 25 January 2013

As at the date of this announcement, the directors of the Company are Mr. Zhang Jianhong, Mr. Fu Kwan, Mr. Liu Chuanqi, Mr. Cui Tongzheng, Mr. Yan Jianhua and Mr. Zhang Jian as executive directors, and Mr. Yue Run Dong, Mr. Liu Yi and Mr. Ting Leung Huel, Stephen as independent non-executive directors.