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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 SUBSCRIPTION OF SHARES**

The Board is pleased to announce that after trading hours on 8 April 2014, Dongyue Chemicals, a wholly-owned subsidiary of the Company, has committed to subscribe for shares in China Minsheng Investment Company Limited for an aggregate amount of RMB1 billion.

As the applicable percentage ratios exceed 5% but are less than 25%, the Subscription constitutes a discloseable transaction of the Company under the Listing Rules.

The Board of Dongyue Group Limited (the **Company**, together with its subsidiaries, the **Group**) is pleased to announce that after trading hours on 8 April 2014, Dongyue Chemicals, a wholly-owned subsidiary of the Company, has made a commitment to subscribe for 1 billion shares in CMIC (representing no more than 10% of the expected total issued share capital of CMIC upon establishment) for an aggregate amount of RMB1 billion (at a subscription price of RMB1.00 per share). In addition to Dongyue Chemicals, several other dozens of PRC domestic corporate investors will be participating in the subscription of shares of CMIC, with several of such corporate investors each also subscribing for 1 billion shares in CMIC for an amount of RMB1 billion. CMIC is a company to be established to principally engage in equity investment and asset management. As at the date of this announcement, pending completion of subscription by the Corporate Investors, CMIC has not been legally established and has not commenced any business.

The key terms of the Subscription are set out below.

#### **Date**

8 April 2014

#### **Parties**

Dongyue Chemicals as the subscriber  
CMIC's Organising Committee

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, CMIC and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

## **Subscription Shares**

Pursuant to the terms of the Subscription, Dongyue Chemicals shall subscribe 1 billion new shares in CMIC, representing no more than 10% of the expected total issued share capital of CMIC upon establishment. The subscription shares are not subject to any transfer restrictions.

## **Subscription Price and Completion**

The total subscription price of RMB1 billion shall be payable by Dongyue Chemicals in cash as required by the CMIC's Organising Committee, upon which the Subscription shall be completed. A subscription certificate shall be issued by CMIC's Organising Committee to Dongyue Chemicals.

The subscription price of RMB1.00 per share in CMIC was determined after arm's length negotiations between Dongyue Chemicals and CMIC's Organising Committee, with reference to the capital requirements of CMIC.

The payment for the aggregate subscription price of RMB1 billion will be funded by bank facilities arranged by Dongyue Chemicals in the amount of RMB400 million and internal resources of the Group in the amount of RMB600 million.

## **Information on the Parties**

The Group is principally engaged in the manufacture and sale of refrigerants, polymers, organic silicone and dichloromethane, polyvinyl chloride and liquid alkali and others. In addition, the Group also engages in property development in the PRC and holds certain equity investments with different business interests in the PRC, which are accounted for as available-for-sale investments.

CMIC is a joint venture company to be established in the PRC by the Corporate Investors to principally engage in equity investments and asset management. As at the date of this announcement, CMIC has yet to be legally established, pending subscription by the Corporate Investors and it has not commenced any business.

## **Reasons for the Transaction**

Dongyue Chemicals was invited by the CMIC's Organising Committee as one of the Corporate Investors to participate in the subscription of shares in CMIC. The Corporate Investors, comprising other sizeable domestic non-state owned companies and enterprises with different business focus in various regions of the PRC, were also invited to participate. The rationale behind the establishment of CMIC is to consolidate financial resources of non-state owned enterprises for strategic investments in sectors and enterprises facing Chinese economic adjustment and potentially emerging industry sectors and enterprises, and the scope of business of CMIC will be equity investment and asset management.

The Company considers that the Subscription will provide the Group (indirectly through CMIC) with potential investment and acquisition opportunities in industries and enterprises with growth potentials, which allows the Group to diversify its business risks, given that the Group's core fluorochemical business has been adversely affected by recent unfavourable market sentiments, bleak domestic and overseas environments and overcapacities. With strong operational cash flow and gearing position of the Group, and through utilizing some of the undrawn banking facilities, the Group can capitalize on the financial leverage to diversify its business risks and stabilize

returns to the shareholders of the Company, while maintaining the focus of its business and strengths in its core fluorochemical business. Taking into account the above factors, the Directors consider the Subscription to be in the interest of the Group. The Directors (including all other independent non-executive Directors) believe that the terms of the Subscription are fair and reasonable and in the interests of the shareholders of the Company as a whole.

### **Listing Rules Implications**

As the applicable percentage ratios exceed 5% but are less than 25%, the Subscription constitutes a discloseable transaction of the Company under Chapter 14 the Listing Rules.

**Any potential investments to be made by CMIC are associated with risks and uncertainties and subject to relevant market conditions and fluctuations. As a shareholder of CMIC, the Group will bear a pro-rata share of such risks. Shareholders of the Company and potential investors should exercise caution when dealing in securities of the Company.**

### **Definitions**

In this announcement, unless the context requires otherwise, the following terms have the meanings as defined below:

Board	the board of Directors of the Company
CMIC	China Minsheng Investment Company Limited* (中國民生投資股份有限公司), a company to be established in the PRC
CMIC's Organising Committee	CMIC's organising committee* (中國民生投資股份有限公司籌備工作組辦公室), which is responsible for the establishment of CMIC and coordinating the subscription by the Corporate Investors
Corporate Investors	several dozens of PRC domestic corporate investors and enterprises which have proposed or agreed to subscribe to the shares of CMIC at a subscription price of RMB1.00 per share, including Dongyue Chemicals
Dongyue Chemicals	Shandong Dongyue Chemicals Co. Ltd*. (山東東岳化工有限公司), a wholly-owned subsidiary of the Company incorporated in the PRC
Director(s)	the director(s) of the Company
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)

PRC or China	the People's Republic of China, which for the purpose of this announcement, shall not include Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
RMB	Renminbi, the lawful currency of the PRC
Stock Exchange	The Stock Exchange of Hong Kong Limited
Subscription	the proposed subscription of shares in CMIC by Dongyue Chemicals
%	per cent

By Order of the Board  
**Dongyue Group Limited**  
**Zhang Jianhong**  
*Chairman*

The PRC, 8 April 2014

*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, Dr. Wu Tao and Mr. Zhang Jian as executive directors, and Mr. Ting Leung Huel, Stephen, Mr. Liu Yi and Mr. Yue Rundong as independent non-executive directors.*

\* *For identification purposes only*