



**东岳集团有限公司**  
**Dongyue Group Limited**  
(Stock Code: 189)

**Annual Results 2007**



**Management**

**Zhang Jianhong**

**Chairman and Chief Executive Officer**

**Cui Tongzheng**

**Executive Director and Chief Financial Officer**

**Li Yuwen**

**Chief Administration Officer**

**Martin Wong**

**Company Secretary**



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## Content

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# Accomplishment



## Accomplishment

- ◆ Listed on the Main Board of Hong Kong Stock Exchange in Dec 2007 and raised gross proceeds of HK\$1,131 mn
- ◆ Attributable profit increased by 151% to Rmb208 mn in 2007, higher than prospectus forecast
- ◆ Gross profit margin expanded to 24% from 21%, despite rising raw material cost
- ◆ Most of the expansion projects were completed ahead of schedule and started production in 2008
- ◆ Continued to command dominant position in the refrigerants and fluoropolymers market in China



# Company Profile



## Company Profile

**A dominant fluorochemical manufacturer in China**

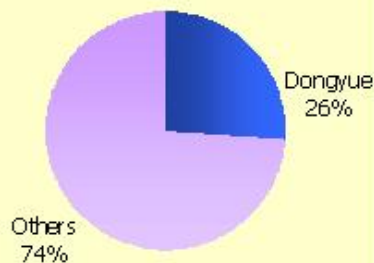
**Major products:**

Refrigerants 2008  
Fluoropolymers Organic Silicon  
Methane Chloride PVC  
Alkali

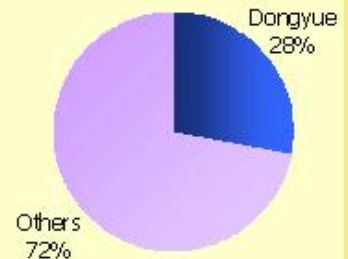
**A broad client base comprising renowned domestic and overseas clients**

Fluoroseals, Mitsubishi, LG, Haier, Gree, Hisense

**Largest Refrigerants Market Share in China (2007)**



**Largest Fluoropolymers Market Share in China (2007)**



**Our Goal**

**Our Objective: to develop the company as an environmental friendly fluorochemical manufacturer**





## Integrated Business Model to Create Vast Value

### Raw Materials

- ◆ Ample supply in China
- ◆ Self sufficient supply
- ◆ Stable & long-term relationship with international and domestic suppliers

### Refrigerants (HCFC-22, HFC-134a, Other green refrigerants)

- ◆ Dominant domestic market position
- ◆ Global leading production capacity
- ◆ Upgrading products to meet the ever-increasing demand for global environmental friendly products

### Fluoropolymers (PTFE, HFP)

- ◆ Dominant domestic market position
- ◆ Global leading production capacity
- ◆ High entry barriers in terms of technical and capital capability
- ◆ Internal production of primary raw materials (HCFC-22) for cost efficiency
- ◆ Development of high value-added downstream products

### Organic Silicone and Other New Products

- ◆ Huge demand with rapid growth
- ◆ Shortage of domestic supply
- ◆ Cost competitiveness through the re-use of by-products from production
- ◆ Proven track record in the successful launch of new products

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## Financial Review





## Financial Overview

For the year ended 31 December

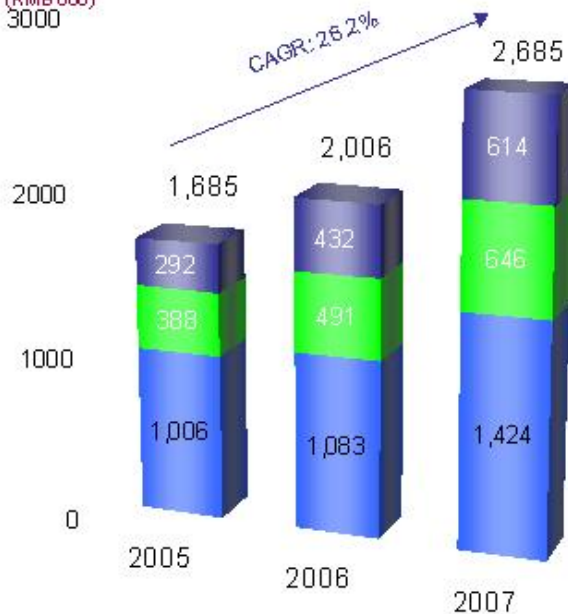
RMB Mil	2006	2007	YOY (%)
Turnover	2,005.9	2,684.7	34% ↑
Gross Profit	428.4	634.6	48% ↑
Operating Profit	219.2	368.1	68% ↑
Profit Attributable to Shareholders	82.7	208.3	151% ↑
EPS – Basic (RMB yuan)	0.08	0.14	75% ↑
DPS (HK\$)	n.a.	0.04	n.a.

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## Strong Revenue Growth

Revenue  
(RMB'000)  
3000



CAGR  
(2005-2007)

Refrigerants 19.0%

Fluoropolymers 29.0%

Other products 45.0%

■ Refrigerants ■ Fluoropolymers ■ Other products

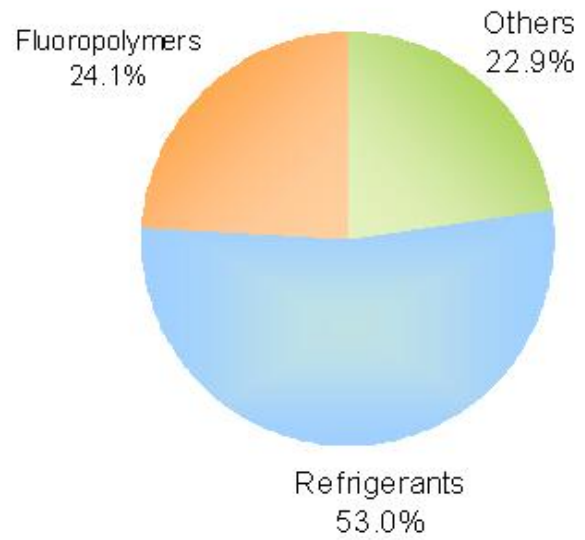
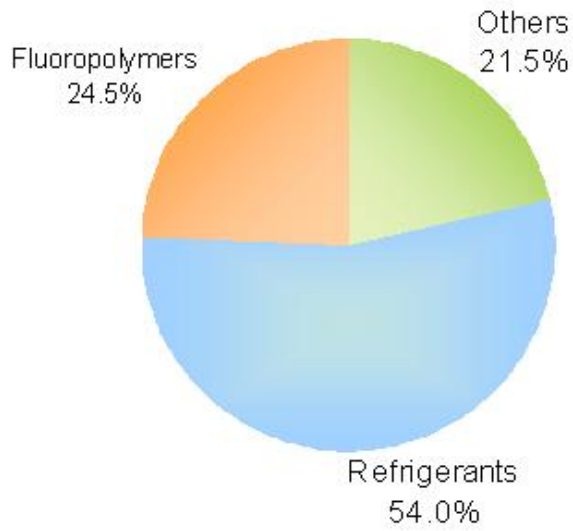
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## Turnover Breakdown – By Business

2006

2007



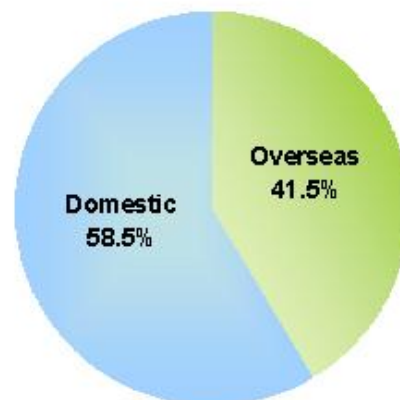
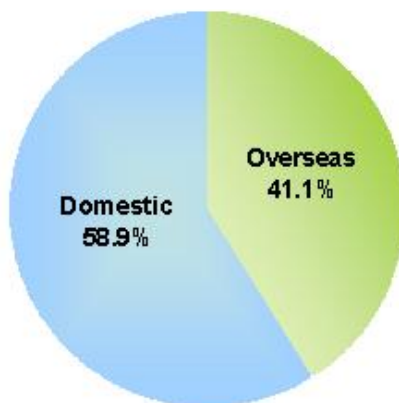
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## Turnover breakdown – by Market

2006

2007

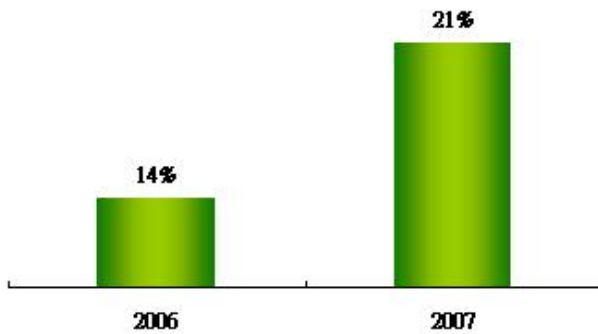


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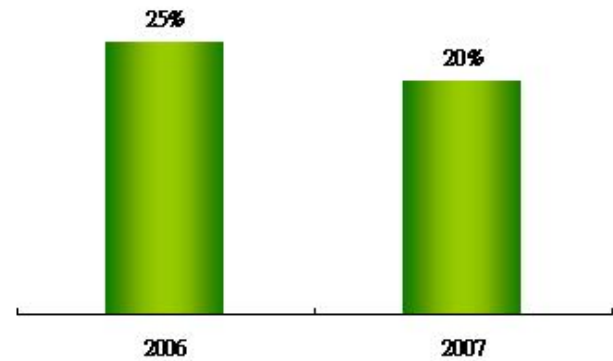


## Gross Margin of Products

### Gross Margin of Refrigerants



### Gross Margin of Fluoropolymers



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## Key Financial Ratios

	As at 31 December 2006	As at 31 December 2007
Current ratio	61%	<b>90%</b>
Inventory turnover days	37days	<b>57days</b>
Debtor turnover days	39days	<b>34days</b>
Creditor turnover days	97days	<b>147days</b>
Gearing ratio	68%	<b>25%</b>
Cash and bank balance	RMB315M	<b>RMB1,456M</b>

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# Business Review



## Refrigerants

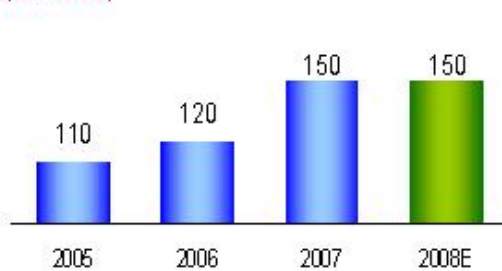
### HCFC22

- ◆ Sold 91,400 tons in 2007, up 20%yoy
- ◆ Accounted for 35% supply to top ten domestic aircon manufacturers and 35% of export from China

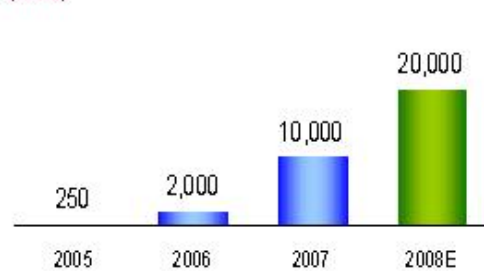
### HFC134a

- ◆ Sold 6,890 tons in 2007
- ◆ Sales volume was up 114% yoy

Production Capacity: HCFC-22  
(\*000 tons)



Production Capacity: HFC134a  
(tons)





## Fluoropolymers

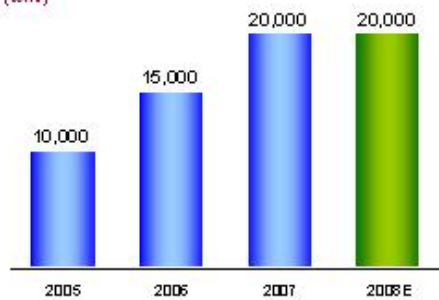
### PTFE

- ◆ Sold 14,059 tons in 2007
- ◆ Accounted for 55% of China's total PTFE export with export price US\$100-150 higher than peers' in China
- ◆ Will launch new PTFE products with higher value added and selling price to mitigate the impact of rising raw material cost and RMB appreciation

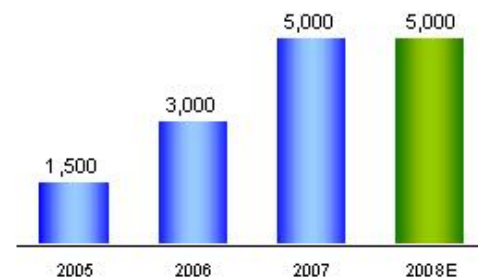
### HFP

- ◆ HFP is the primary raw material for further processing of fine fluorochemical products
- ◆ Sales volume was 1,996 tons in 2007, up 68% yoy

**PTFE Expansion Capacity**  
(ton)



**HFP Expansion Capacity**  
(ton)



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## Other Fluorochemical Products

### Methane Chloride

- ◆ The cost of export increases a lot due to the changing of tax policy in China
- ◆ Shift focus to the domestic market in 2007

### Alkali Products

- ◆ Decrease in tax refund for export from 13% to 0 after July 2007 put pressure on export margin
- ◆ Huge demand in domestic market

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## Expansion Project Progressed Smoothly

### Early Completion of Expansion and New Projects

- ◆ The 160,000 tons Alkali expansion project was completed on 12 March 2008, three months earlier than the expected completion date, increasing production capacity to 280,000 tons now
- ◆ The 80,000 tons methane chloride and 60,000 tons PVC expansion projects were completed. Production capacity of methane chloride rises to 160,000 tons
- ◆ The new 60,000 tons organic silicone production project was completed in Oct 2007, two months earlier than the scheduled completion date

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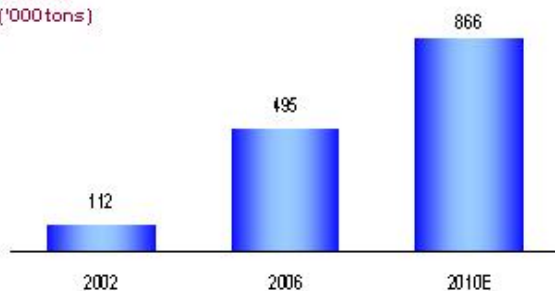


## Organic Silicone

- ◆ Fluorosilicone materials are also widely applied and used in aviation and aerospace industry as damp resistance materials, construction coatings, wire and cables coating, automobile parts, textile treatments, close coatings, electrical appliances, coatings, cosmetics and medicines
- ◆ The above products will be more widely applied in China, which will increase the demand for fluorosilicone materials
- ◆ Expect organic silicone to start profit contribution in 2008

### Rapid Demand Growth for Organic Silicone in China

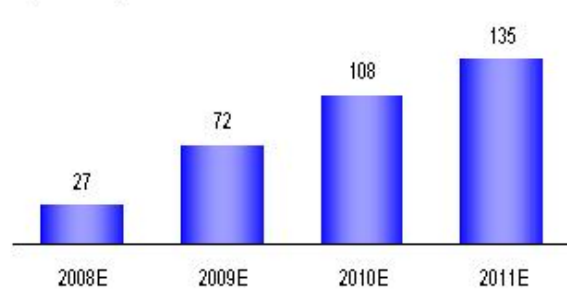
('000 tons)



Notes: Capacity is in terms of organic silicone intermediate products. The ratio of Organic silicone monomer conversion to the intermediate products is about 45% in Dongyue

### Organic Silicone Capacity of Dongyue

('000 tons)



Source: SRI research report, Company, and China Customs

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## Leading R&D Capabilities

Refrigerants	Fluoro Material	Organic Silicone	Membrane Material
<ul style="list-style-type: none"><li>◆ Blended Type</li><li>◆ Green Type</li></ul>	<ul style="list-style-type: none"><li>◆ Fluoro Paint</li><li>◆ Fluoro Pharm</li><li>◆ Fluoro Pesticide</li></ul>	<ul style="list-style-type: none"><li>◆ Silicone Rubber</li><li>◆ Silicone Resin</li><li>◆ Silicone Oil</li></ul>	<ul style="list-style-type: none"><li>◆ Fuel Battery</li><li>◆ Electrolytic Methane</li><li>◆ Solar Battery</li></ul>

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## Renowned Fluoro-silicone Material Brand

- ◆ Dongyue is dedicated to building up a high-tech, environmental friendly, and international brand
- ◆ First refrigerants products to receive the highest honor among China brands – “The China Prominent Brand”
- ◆ Received the highest brand recognition – “Chinese Famous Trademark”

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## Prospects and Strategies





## Prospects

### Market opportunities

- ◆ Rapid demand growth for organic silicone product in China
- ◆ The demand of refrigerant increases globally
- ◆ Huge demand for Alkali products and Methane Chloride

### To seize market opportunities

- ◆ Expand the production capacity of major products
- ◆ Secure more supply of raw materials, especially fluorspar
- ◆ External growth through the acquisition

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## Business Strategies

### **More Integrated Business Model**

- ◆ Secure long-term supply of raw materials
- ◆ Expansion of internal production capacity of primary raw materials supplies via organic growth or acquisition

### **External Growth via Acquisition**

- ◆ Looking for opportunities to merge or acquire peers in China or overseas market

### **New Product**

- ◆ Enhance sales of organic silicone and PVC, making them important growth drivers

### **Research & Development**

- ◆ Develop more environmental friendly products with wider application
- ◆ Enhance products' added value and profit margin

Maximise Profit

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## Use of Proceeds

	Amount HK\$ Mil
Expansion of the production capacities for refrigerants	169.2
Expansion of the production capacities for fluoropolymers	63.5
Expansion of the production capacities for liquid alkali	190.4
Construction plans for Organic Silicone products	417.6
Equipment upgrades and purchases of advanced production equipment and facilities	158.6
Working capital and other general corporate purposes	52.2