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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)

DISCLOSABLE TRANSACTION ACQUISITION OF 100% INTEREST IN A PROPERTY DEVELOPMENT COMPANY

THE AGREEMENT

On 28 June 2017, Union Property (a non-wholly-owned subsidiary of the Company) as the Purchaser, the Sellers and the Target Company entered into the Agreement in relation to the Acquisition, pursuant to which, among others, Union Property has agreed to purchase and the Sellers have agreed to sell 100% of the equity interest in the Target Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and therefore is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 28 June 2017, Union Property (a non-wholly-owned subsidiary of the Company) as the Purchaser, the Sellers and the Target Company entered into the Agreement in relation to the Acquisition, pursuant to which, among others, Union Property has agreed to purchase and the Sellers have agreed to sell 100% of the equity interest in the Target Company in accordance with the terms and conditions in the Agreement.

THE AGREEMENT

The principal terms of the Agreement are set out below.

Date

28 June 2017

Parties

- (i) the Purchaser;
- (ii) Hengli Holdings (holder of 96.5% equity interest in the Target Company), one of the Sellers;
- (iii) Ms. Xu (holder of 2.5% equity interest in the Target Company), one of the Sellers;
- (iv) Mr. Liu (holder of 1% equity interest in the Target Company), one of the Sellers;
and
- (vi) the Target Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Sellers, the Target Company and their respective ultimate beneficial owner(s) is an Independent Third Party.

Subject matter

Pursuant to the Agreement, the Purchaser has agreed to purchase, and the Sellers have agreed to sell, 100% of the equity interest in the Target Company in accordance with the terms and conditions in the Agreement.

The respective interest to be transferred by each of the Sellers is set out as follows:

Seller	Respective interest (as a percentage of the total equity interest in the Target Company) to be transferred
Hengli Holdings	96.5%
Ms. Xu	2.5%
Mr. Liu	1%

Consideration

According to the valuation conducted by an independent valuation agency engaged by the Purchaser, the total assets of the Target Company as of 30 April 2017 was RMB914,591,600 and the total liabilities of the Target Company as of 30 April 2017 was RMB1,046,024,700, which includes, among others, a debt (the **Debt**) owed by the Target Company to its major creditor (the **Creditor**). Pursuant to the Agreement, the Sellers collectively shall transfer 100% of the equity interest in the Target Company to the Purchaser for a nominal consideration of RMB1 (the **Consideration**).

The Consideration was arrived at after arm's length negotiations among the Purchaser and the Sellers after taking into consideration (i) the reasons for and benefits of the Acquisition as detailed in the paragraph headed "Reasons for and benefits of the Acquisition" in this announcement; (ii) the financial position of the Target Company as of 30 April 2017; and (iii) the prospects of the property projects held by the Target Company.

Completion

Completion shall take place on the date of the Agreement. Immediately after the Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company, and its financial results will be consolidated into the consolidated financial statements of the Group.

The Debt

The Creditor has agreed to waive repayment as to RMB135 million of the Debt (the **Waived Amount**) at Completion by the Target Company and on this basis, the Target Company may pay the Creditor after Completion an agreed portion of the net profits, if any, to be generated from the two property projects held by the Target Company up to RMB135 million within one month after completion of development of its property projects and the issue of necessary accountant's report. Based on the above and for illustrative purpose only, the parties to the Agreement acknowledge that the net asset value of the Target Company as at Completion will be approximately RMB3,566,900.

Pursuant to the Agreement, the Debt excluding the Waived Amount shall be repayable by the Target Company in batches to the Creditor within six months after completion of registration with the relevant administration for industrial and commerce authorities of the PRC in respect of the Acquisition.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liability and is principally engaged in property development. As at the date of this announcement, the Target Company holds two property projects in the PRC, namely Shengjing Lanting (盛景瀾庭) and Central Mansion (Yucheng Phase II) (中央公館(禹城二期)).

As at the date of this announcement, the Target Company has a registered capital of RMB50,000,000 which has been fully paid up, and is owned as to 96.5% by Hengli Holdings, 2.5% by Ms. Xu and 1% by Mr. Liu.

The following table summarises the unaudited financial results of the Target Company for each of the two years ended 31 December 2015 and 2016 respectively:

	For the year ended 31 December 2016	For the year ended 31 December 2015
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Net profit (loss) before taxation	(11,837)	3,956
Net profit (loss) after taxation	(11,837)	3,956

The unaudited net liabilities of the Target Company as at 31 December 2016 was approximately RMB298,504,079.

INFORMATION OF THE GROUP AND THE PARTIES TO THE AGREEMENT

The Group is principally engaged in manufacturing and sale of refrigerants, fluoropolymers, organic silicone and other products such as dichloromethane, polyvinyl chloride and liquid alkali and property development.

The Purchaser is a company incorporated in the PRC with limited liability and is principally engaged in property development. As at the date of the announcement, the Purchaser is an indirect wholly-owned subsidiary of the Company. Pursuant to and pending completion of an investment agreement dated 27 June 2017, the Purchaser will be owned as to 64% indirectly by the Company and 36% directly by an Independent Third Party. Please further to the announcement of the Company dated the date of this announcement for more details of the aforesaid investment agreement.

Hengli Holdings is a company incorporated in the PRC with limited liability and is principally engaged in property development.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As at the date of this announcement, the Target Company holds two property projects in the PRC, namely Shengjing Lanting and Central Mansion (Yucheng Phase II). Shengjing Lanting, located in Zhangdian District, Zibo City, Shandong Province, the PRC, is a residential property project for sale with a site area of 61,683 square meters and a planned gross floor area of approximately 92,700 square meters. As at the date of this announcement, the construction of certain residential blocks within Shengjing Lanting has been completed pending pre-sale, and completion of the entire project was scheduled to take place in around October 2020. Central Mansion (Yucheng Phase II), located in Yucheng City, Shandong Province, the PRC, is a commercial and residential property project for sale with a site area of 105,228 square meters and a planned gross floor area of 228,528 square meters. As at the date of this announcement, the construction of Central Mansion (Yucheng Phase II) is scheduled to commence in July 2017.

The Board, based on due diligence conducted on the Target Company, considers that Shengjing Lanting and Central Mansion (Yucheng Phase II), both situated at decent locations, are property projects with development potential. Shengjing Lanting is adjacent to the wetlands of Kaofu river, which will give the benefit of a green and pleasant environment to its future residents. Central Mansion (Yucheng Phase II) is situated in Yucheng City with a developing property market therein. As such, the Board considers that the Acquisition will allow the Group to have full control of the construction, development, marketing and sales of the these property projects, which will secure the ownership of the assets and expected return from any earnings derived from the property projects, and thereby strengthen the future financial performance of the Group by generating considerable financial returns. In addition, the Board also expects that the Acquisition will generate synergies with the Group's existing property development business as the Company already has an existing team of experienced personnel in property development. Therefore, the Acquisition is in line with the Group's business

strategies and will allow the Group to broaden and strengthen its property development business.

Based on the above and with reference to the prospects of the property projects held by the Target Company and the potential synergies with the existing property development business of the Group, the Board accordingly considers that the terms of the Agreement, which were determined after arm's length negotiations among the parties thereto, are normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context otherwise requires:

“Acquisition”	the acquisition by the Purchaser from Hengli Holdings, Ms. Xu and Mr. Liu of 96.5%, 2.5% and 1%, respectively, of the equity interest in the Target Company, in accordance with the terms and conditions in the Agreement
“Agreement”	the share transfer agreement dated 28 June 2017 entered into among the Purchaser, the Sellers and the Target Company in respect of, among others, the Acquisition
“Board”	the board of Directors
“Company”	Dongyue Group Limited (東岳集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 189)
“Completion”	the completion of the Acquisition in accordance with the terms and conditions in the Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hengli Holdings”	Hengli Holdings Group Co., Ltd. (恒力控股集團有限公司), a company incorporated in the PRC with limited liability, holding

	96.5% equity interest in the Target Company
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	an independent third party not connected with the Company or its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Mr. Liu”	Mr. Liu Fangshi (劉方詩), a PRC national holding 1% equity interest in the Target Company
“Ms. Xu”	Ms. Xu Jian (徐健), a PRC national holding 2.5% equity interest in the Target Company
“PRC”	the People’s Republic of China, excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser” or “Union Property”	Shandong Dongyue Union Property Co., Ltd. (山東東岳聯邦置業有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sellers”	Hengli Holdings, Ms. Xu and Mr. Liu
“Target Company”	Shandong Boda Real Estate Development Co., Ltd. (山東博大房地產開發有限公司), a company incorporated in the PRC with limited liability
“%”	per cent

By Order of the Board
Dongyue Group Limited
Zhang Jianhong
Chairman

The PRC, 28 June 2017

As at the date of this announcement, the directors of the Company are Mr. Zhang Jianhong, Mr. Fu Kwan, Mr. Liu Chuanqi, Mr. Zhang Zhefeng, Mr. Zhang Bishu and Mr. Zhang Jian as executive directors, and Mr. Ting Leung Huel, Stephen, Mr. Yang Xiaoyong and Mr. Yue Run Dong as independent non-executive directors.