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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)**

### **PLACING OF NEW SHARES UNDER THE GENERAL MANDATE**

#### **Placing Agents**



#### **THE PLACING**

On 31 August 2021 (after trading hours of the Stock Exchange), the Company and the Placing Agents entered into the Placing Agreement, pursuant to which the Company has conditionally agreed to place through the Placing Agents 145,000,000 Placing Shares to not less than six Placées at the Placing Price per Placing Share.

The Placing Price of HK\$23.00 per Placing Share represents:

- (a) a discount of approximately 14.18% to the closing price of HK\$26.80 per Share as quoted on the Stock Exchange on 31 August 2021, being the date of the Placing Agreement;

- (b) a discount of approximately 4.29% to the average closing price of approximately HK\$24.03 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to and including the date of the Placing Agreement;
- (c) a premium of approximately 5.94% to the average closing price of approximately HK\$21.71 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to and including the date of the Placing Agreement;
- (d) a premium of approximately 19.95% to the average closing price of approximately HK\$19.17 per Share as quoted on the Stock Exchange for the twenty (20) consecutive trading days immediately prior to and including the date of the Placing Agreement; and
- (e) a premium of approximately 32.46% to the average closing price of approximately HK\$17.36 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days immediately prior to and including the date of the Placing Agreement.

The Placing Shares represent:

- (a) approximately 6.87% of the issued share capital of the Company as at the date of this announcement; and
- (b) approximately 6.43% of the issued share capital of the Company as enlarged by the allotment and issuance of the Placing Shares upon Completion (assuming there will be no other change in the issued share capital of the Company between the date of this announcement and the Closing Date).

Subject to Completion, the gross proceeds and the estimated net proceeds (after deduction of the relevant expenses and fees) from the Placing will be HK\$3.335 billion and approximately HK\$3.31 billion, respectively. On this basis, the net price per Placing Share will be approximately HK\$22.82.

The Company intends to use the net proceeds from the Placing for (i) enhancing the Group's production capacity of PVDF (a type of fluoropolymer that is climate resistant and highly machinable with excellent mechanical properties, which can be used as weather-resistant coating materials, adhesives for lithium batteries and photovoltaic backplanes) and its raw materials (being R142b coolant); (ii) enhancing the Group's production capacity of PTFE (a synthetic fluoropolymer with high level of resistance to temperature changes, electrical insulation, and aging and chemical resistant) and its raw materials (being R22 coolant); and (iii) replenishing the general working capital of the Group.

The Board is of the view that the Placing would enable the Company to broaden its Shareholder base and to finance the planned rapid development and expansion of the business and production capacity of the Group.

## **GENERAL MANDATE**

The Placing Shares will be allotted and issued under the General Mandate, which authorised the Directors to allot and issue up to 422,337,891 Shares. As at the date of this announcement, no Share has been allotted and issued under the General Mandate. Accordingly, the General Mandate is sufficient for the allotment and issuance of the Placing Shares and therefore the Placing is not subject to the approval of the Shareholders.

## **APPLICATION FOR LISTING**

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares on the Stock Exchange.

**As the Placing Agents have the right to terminate the Placing Agreement in accordance with the termination events thereunder and Completion is subject to fulfilment and/or waiver (as appropriate) of the Conditions, the Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## **PLACING OF NEW SHARES UNDER THE GENERAL MANDATE**

On 31 August 2021 (after trading hours of the Stock Exchange), the Company and the Placing Agents entered into the Placing Agreement, pursuant to which the Company has conditionally agreed to place through the Placing Agents 145,000,000 Placing Shares to not less than six Placees at the Placing Price per Placing Share.

## **THE PLACING AGREEMENT**

The principal terms of the Placing Agreement are set out as follows:

### **Date**

31 August 2021

### **Parties**

Issuer : the Company

Placing Agents : CLSA Limited and China International Capital Corporation  
Hong Kong Securities Limited (each on a several but not joint  
nor joint and several basis)

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, each of the Placing Agents is an Independent Third Party.

### **Placing Shares**

The Placing Shares represent:

- (a) approximately 6.87% of the issued share capital of the Company as at the date of this announcement; and
- (b) approximately 6.43% of the issued share capital of the Company as enlarged by the allotment and issuance of the Placing Shares upon Completion (assuming there will be no other change in the issued share capital of the Company between the date of this announcement and the Closing Date).

The aggregate nominal value of the Placing Shares under the Placing is HK\$14,500,000.

### **Ranking of the Placing Shares**

The Placing Shares will, when issued and fully paid, rank *pari passu* in all respects with the other Shares then in issue free from all liens, charges and encumbrances, and together with all rights attaching to them as at the date of issue of the Placing Shares, including the right to receive all dividends declared, made or paid on or after the Closing Date.

### **Placees**

The Placing Shares are to be placed on a best effort basis to not less than six (6) Placees, who and whose respective ultimate beneficial owner(s), as applicable, shall be Independent Third Parties. It is expected that none of the Placees will become a substantial shareholder of the Company immediately upon Completion.

### **Placing Price**

The Placing Price of HK\$23.00 per Placing Share represents:

- (a) a discount of approximately 14.18% to the closing price of HK\$26.80 per Share as quoted on the Stock Exchange on 31 August 2021, being the date of the Placing Agreement;
- (b) a discount of approximately 4.29% to the average closing price of approximately HK\$24.03 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to and including the date of the Placing Agreement;

- (c) a premium of approximately 5.94% to the average closing price of approximately HK\$21.71 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to and including the date of the Placing Agreement;
- (d) a premium of approximately 19.95% to the average closing price of approximately HK\$19.17 per Share as quoted on the Stock Exchange for the twenty (20) consecutive trading days immediately prior to and including the date of the Placing Agreement; and
- (e) a premium of approximately 32.46% to the average closing price of approximately HK\$17.36 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days immediately prior to and including the date of the Placing Agreement.

The Placing Price was determined with reference to the prevailing market price of the Shares, the recent trading volume of the Shares and the prospects of the Group and was negotiated on an arm's length basis between the Company and the Placing Agents.

Subject to Completion of the Placing, the gross proceeds and the estimated net proceeds (after deduction of the relevant expenses and fees) from the Placing will be HK\$3.335 billion and approximately HK\$3.31 billion, respectively. On this basis, the net price per Placing Share will be approximately HK\$22.82.

Each of the Placing Agents will receive a placing commission based on the amount equal to the Placing Price multiplied by the number of the Placing Shares for which subscriptions were procured by the respective Placing Agent. The placing commission was determined after arm's length negotiations between the Company and the Placing Agents with reference to, among others, the prevailing market rates.

## **Conditions**

Completion is conditional upon the satisfaction or waiver (where applicable) of the following Conditions:

- (a) the listing of and permission to deal in the Placing Shares being granted by the Listing Committee of the Stock Exchange (and such listing and permission not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Placing Shares); and
- (b) the Placing Agents having received on the Closing Date legal opinions with respect to certain laws of the Cayman Islands, Hong Kong and the United States relating to certain matters set forth in the Placing Agreement.

If the Conditions are not fulfilled or waived at or prior to 8:00a.m. (Hong Kong time) on the Closing Date, the Placing Agreement shall terminate and the Placing Agents and the Company shall have no obligations or liabilities to each other under the Placing and neither party shall have any claim against the other in respect of the Placing Agreement save for antecedent breaches.

## **Completion**

Subject to the satisfaction or waiver (where applicable) of the Conditions, Completion will take place on the Closing Date or such other time and/or date as the Placing Agents and the Company may agree in writing.

## **Termination**

Pursuant to the Placing Agreement, the Placing Agents are entitled to terminate the arrangements set out in the Placing Agreement by notice in writing prior to 4:00p.m. (Hong Kong time) on the Closing Date, if at any time prior to 8:00a.m. (Hong Kong time) on the Closing Date:

- (a) there develops, occurs or comes into force:
  - (i) any material adverse change, or any development reasonably likely to involve a material adverse change, in the condition, financial or otherwise, or in the earnings, assets, business, operations or prospects of the Company or the Group taken as a whole; or
  - (ii) any suspension or limitation of trading (a) in any of the Company's securities by the Stock Exchange, or (b) generally on the Stock Exchange, the London Stock Exchange, the New York Stock Exchange or the Nasdaq Global Market; or
  - (iii) any material disruption in commercial banking or securities settlement or clearance services in Hong Kong, the Cayman Islands, the PRC, the United States, the United Kingdom or any other member of the EEA and/or a general moratorium on commercial banking activities having been declared by the relevant authorities in Hong Kong, the Cayman Islands, the PRC, the United States, the United Kingdom or any member of the EEA; or
  - (iv) any material adverse change or development involving a prospective material adverse change in or affecting the financial markets in Hong Kong, the Cayman Islands, the PRC, the United States, the United Kingdom or any member of the EEA or in international financial, political or economic conditions, currency exchange rates, exchange controls or taxation; or
  - (v) any outbreak or escalation of hostilities, act of terrorism, the declaration by Hong Kong, the Cayman Islands, the PRC, the United States, the United Kingdom or any other member of the EEA of a national emergency or war or other calamity or crisis,

that, in the sole and reasonable judgment of the Placing Agents, would make the Placing or the enforcement of contracts to subscribe for the Placing Shares impracticable or inadvisable, or would materially prejudice trading of the Placing Shares in the secondary market;

- (b) the fact that the representations and warranties made by the Company pursuant to the Placing Agreement in the manner and context they are made and subject to the qualifiers thereto, are untrue, inaccurate or misleading as of the date of the Placing Agreement and the Closing Date; or
- (c) the failure of the Company to comply with all of the agreements and undertakings and satisfy the Conditions on its part to be complied with or satisfied under the Placing Agreement on or before the Closing Date.

In the event that the Placing Agents terminate the Placing Agreement, all obligations of the Company or the Placing Agents under the Placing Agreement shall cease and determine and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the Placing Agreement except for any antecedent breach of any obligation under the Placing Agreement and certain rights or obligations that may have accrued under the Placing Agreement prior to such termination.

#### **LOCK-UP ARRANGEMENTS OF THE COMPANY**

The Company has undertaken to the Placing Agents that for a period beginning from the date of the Placing Agreement and ending on the date which is three months after the Closing Date, the Company will not, except for the Placing Shares and the grant or exercise of the option under the employee option scheme adopted by the Company on 27 December 2018, (i) effect or arrange or procure placement of, allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe for any Shares, any equity securities of the Company or any securities convertible into, or exercisable, or exchangeable for, equity securities of the Company; (ii) enter into any swap or similar agreement that transfers the economic risk of ownership of the Shares referred to in (i) above; or (iii) publicly announce an intention to effect any such transaction aforementioned.

#### **GENERAL MANDATE**

The Placing Shares will be allotted and issued under the General Mandate, which authorised the Directors to allot and issue up to 422,337,891 Shares. As at the date of this announcement, no Share has been allotted and issued under the General Mandate. Accordingly, the General Mandate is sufficient for the allotment and issuance of the Placing Shares and therefore the Placing is not subject to the approval of the Shareholders.

#### **APPLICATION FOR LISTING**

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares on the Stock Exchange.

## EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out a summary of the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after Completion (assuming there will be no other change in the issued share capital of the Company between the date of this announcement and the Closing Date):

	As at the date of this announcement		Immediately after Completion	
	Number of Shares	Approximate percentage of issued share capital	Number of Shares	Approximate percentage of issued share capital
Macrolink Overseas Development Limited <sup>(1)</sup>	150,000,000	7.10%	150,000,000	6.65%
MACRO-LINK International Investment Co., Ltd. <sup>(2)</sup>	418,405,818	19.81%	418,405,818	18.54%
Dongyue Team Limited <sup>(3)</sup>	258,948,451	12.26%	258,948,451	11.47%
Mr. Zhang Jianhong <sup>(4)</sup>	7,147,636	0.34%	7,147,636	0.32%
Mr. Zhang Jian <sup>(5)</sup>	91	0.00%	91	0.00%
Mr. Zhang Zhefeng <sup>(6)</sup>	650,000	0.03%	650,000	0.03%
The Placees	-	-	145,000,000	6.43%
Other public Shareholders	1,276,537,459	60.45%	1,276,537,459	56.57%
Total issued Shares	2,111,689,455	100.00%	2,256,689,455	100.00%

### Notes:

- (1) Macrolink Overseas Development Limited is wholly-owned by MACRO-LINK International Investment Co., Ltd.
- (2) MACRO-LINK International Investment Co., Ltd. is wholly-owned by Macro-Link Industrial Investment Limited, which in turn is wholly-owned by Macro-Link Holding Limited. Macro-Link Holding Limited is owned (i) as to 93.4% by Cheung Shek Investment Limited, a company controlled by Mr. Fu Kwan (one of our executive Directors) and Ms. Xiao Wenhui; and (ii) as to 2.83% by Mr. Fu Kwan, respectively.
- (3) Dongyue Team Limited is wholly-owned by Mr. Zhang Jianhong, one of our executive Directors.
- (4) Mr. Zhang Jianhong is one of our executive Directors.
- (5) Mr. Zhang Jian is one of our executive Directors.
- (6) Mr. Zhang Zhefeng is one of our executive Directors.

## REASONS FOR THE PLACING AND USE OF PROCEEDS

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

The Board is of the view that the Placing would enable the Company to broaden its Shareholder base and to finance the planned rapid development and expansion of the business and production capacity of the Group.

Subject to Completion, the gross proceeds and the estimated net proceeds (after deduction of the relevant expenses and fees) from the Placing will be HK\$3.335 billion and approximately HK\$3.31 billion, respectively. On this basis, the net price per Placing Share will be approximately HK\$22.82.

The Company intends to allocate the net proceeds as follows:

Usage	Amount	Approximate percentage of total net proceeds
(a) Enhancing the Group's production capacity of PVDF (a type of fluoropolymer that is climate resistant and highly machinable with excellent mechanical properties, which can be used as weather-resistant coating materials, adhesives for lithium batteries and photovoltaic backplanes) and its raw material (being R142b collant)	Approximately HK\$2.0 billion	60.42%
(b) Enhancing the Group's production capacity of PTFE (a synthetic fluoropolymer with high level of resistance to temperature changes, electrical insulation, and aging and chemical resistant) and its raw material (being R22 coolant)	Approximately HK\$800 million	24.17%
(c) Replenishing the general working capital of the Group	Approximately HK\$510 million	15.41%

Having considered (i) the Placing will raise additional capital for the expansion of the business of the Group in the production of PVDF and PTFE to capture the increasing trend of the market prices of such materials in the chemical industry and enhancing the Group's production capacity of PVDF and PTFE which is soon to be full; (ii) the broadening of the Company's Shareholder base as a result of the Placing; and (iii) the issue of new Shares under the General Mandate is a more desirable financing option as compared with debt financing due to the lower financing costs involved, the Directors consider that the terms of the Placing Agreement (including the Placing Price), which are determined after arm's length negotiations between the Company and the Placing Agent, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **EQUITY FUND RAISING ACTIVITIES BY THE COMPANY IN THE PAST 12 MONTHS**

The Company has not conducted any equity fund raising activities in the past 12 months immediately preceding the date of this announcement.

## **GENERAL**

**As the Placing Agents have the right to terminate the Placing Agreement in accordance with the termination events thereunder and Completion is subject to fulfilment and/or waiver (as appropriate) of the Conditions, the Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Company”	Dongyue Group Limited (stock code: 189), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Closing Date”	the date on which the Completion takes place
“Completion”	completion of the Placing pursuant to the Placing Agreement
“Conditions”	the conditions precedent to Completion under the Placing Agreement
“Director(s)”	the director(s) of the Company
“EEA”	the European Economic Area

“General Mandate”	the general mandate granted by the Shareholders to the Directors at the annual general meeting of the Company held on 10 June 2021, under which the Directors were authorised to allot, issue and deal with up to a maximum of 422,337,891 Shares (being 20% of the issued share capital of the Company at the date of passing of the relevant resolution)
“Group”	the Company and its subsidiaries (from time to time)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) who is(are) not connected persons of the Company and is(are) third party(ies) independent of the Company and its connected persons in accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any individuals, corporate, institutional or other investor(s) procured by the Placing Agents or its agents to subscribe for any of the Placing Shares pursuant to the Placing Agreement
“Placing”	the placing, on a best effort basis, of 145,000,000 Placing Shares on and subject to the terms and conditions set out in the Placing Agreement
“Placing Agents”	collectively, CLSA Limited and China International Capital Corporation Hong Kong Securities Limited
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agents dated 31 August 2021 in relation to the Placing
“Placing Price”	HK\$23.00 per Placing Share
“Placing Shares”	145,000,000 new Shares to be placed pursuant to the Placing Agreement and to be issued under the General Mandate, each a “Placing Share”
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

“Shareholder(s)”	the holder(s) of the Shares
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United States”	the United States of America
“%”	per cent.

*In this announcement, unless the context otherwise requires, the terms “associate(s)”, “close associate(s)”, “connected person(s)”, “connected transaction(s)”, “controlling shareholder(s)”, “subsidiary(ies)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.*

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

The PRC, 1 September 2021

*As at the date of this announcement, the Directors are Mr. Zhang Jianhong, Mr. Fu Kwan, Mr. Wang Weidong, Mr. Zhang Zhefeng, Mr. Zhang Bishu and Mr. Zhang Jian as executive Directors, and Mr. Ting Leung Huel, Stephen, Mr. Yang Xiaoyong and Mr. Ma Zhizhong as independent non-executive Directors.*