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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)

**PROFIT WARNING**

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

The Board wishes to inform the Shareholders and potential investors that the profit and total comprehensive income of the Group for the year ending 31 December 2012 is expected to decrease substantially as compared to the profit and total comprehensive income of the year ended 31 December 2011. This profit warning announcement is only based on a preliminary review of the unaudited consolidated management accounts of the Group for the nine months ended 30 September 2012 and an estimate of the operating performance of the Group for the remaining part of the financial year 2012 by the board of directors of the Company.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

This announcement is made by Dongyue Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to the Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Reference is made to the Company’s profit warning announcement dated 20 June 2012. The board of directors (the “**Board**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that based on a preliminary review of the unaudited consolidated management accounts of the Group for the nine months ended 30 September 2012 (the “**Relevant Period**”), the profit and total comprehensive income of the Group for the Relevant Period has decreased substantially as compared to the corresponding period of last year.

For the six months ended 30 June 2012, due to the global economic downturn, uncertainties in the development trend and the slowdown in the domestic economic growth, the whole fluorochemical industry was hit hard by the decreases in both product demand and selling prices. Such unfavourable market conditions have not turned around in the third quarter of 2012.

During the Relevant Period, the Group strived to continue capitalizing on its leading market position and strong R&D capabilities to expand its production capacities, to upgrade its technology level and to optimize its product mix. As a result, the Group experienced a slight increase in the overall sales volume of its products year-on-year. However, the selling prices of the Group's products have dropped significantly during the Relevant Period as compared to the same period of 2011 and despite that the raw material costs also recorded a decrease in the Relevant Period, it did not fully mitigate the negative impact arising from the decrease in selling prices of the Group's products. As a result, there was an overall decrease in profit margins.

The Board currently anticipates that the outlook of the fluorochemical industry may not significantly improve in the fourth quarter of 2012. Accordingly, it is expected that the profit and total comprehensive income of the Group for the year ending 31 December 2012 (the "**Relevant Year**") would also substantially decrease as compared to the year ended 31 December 2011. The Board currently expects that the full-year financial results of the Group for the Relevant Year would be affected by, among other things, the prices of the Group's products and raw materials for the remaining part of this year, which are expected to be subject to fluctuations resulting from changes in market conditions.

The information contained in this announcement is only based on a preliminary assessment by the Board of information currently available, including the unaudited consolidated management accounts of the Group for the Relevant Period, which have not yet been audited, or reviewed by the Company's auditors or the audit committee of the Board.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

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

The People's Republic of China, 16 October 2012

*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.*