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TIANHE CHEMICALS GROUP LIMITED

天合化工集團有限公司

(Incorporated in the British Virgin Islands with limited liability)
(Stock Code: 1619)

VOLUNTARY CLARIFICATION ANNOUNCEMENT

References are made to the clarification announcements of the Company dated 8, 9 and 13 October 2014 (the "**Announcements**"). Unless otherwise defined in this announcement, terms defined in the Announcements shall have the same meanings when used in this announcement.

In the Announcements, the Company has already made a full and clear rebuttal to the false allegations in the Reports and the Letter. The Company is aware that the anonymous author of the Reports has published a response dated 22 October 2014 (the "**Final Response**" and, together with the Reports and the Letter, the "**AA Reports**") attempting once again to challenge the Announcements. The Company notes that the Final Response has simply repeated the false and groundless allegations put forth in the AA Reports without providing reliable evidence.

As stated in the Announcements, the AA Reports have no credibility at all. The Final Response continues to twist facts and arrive at illusory conclusions with the intention to mislead investors. The Company believes that, by remaining anonymous, the author can continue to make unverifiable and defamatory statements for its own interest without bearing any responsibility. The Company, on the other hand, is fully responsible to verify and corroborate every statement that we have meticulously set forth in each Announcement.

The Company urges potential investors and Shareholders of the Company to review all of the Announcements for a full rebuttal of each and every allegation contained in the AA Reports. The Company sets out below a summary of key points already made in the Announcements.

1. The Group has only ONE SET of books. The Company has proven that the AA Report Financial Statements on which the AA Reports rely have been fabricated.
2. Liaoning Zhongheng has confirmed in writing that the AA Report Financial Statements are not from the financial statements which they audited. Furthermore, the Company has demonstrated that the signature of the Chairman Mr. Wei Qi as shown on the so called "summary financial page" (page 12 of the First Report) is a forgery.
3. The Company has received stamped confirmation letters from each of the Jinzhou Administration for Industry and Commerce and the Fuxin Administration for Industry and Commerce (the "**AIC Confirmation Letters**"). The AIC Confirmation Letters categorically state that the AA Report Financial Statements are inconsistent with the financial statements on their records.

4. The Company has received stamped confirmation letters from each of the Liaoning Yi County State Tax Bureau and the Fuxin City Haizhou District State Tax Bureau (the "**Tax Confirmation Letters**"). The Tax Confirmation Letters confirm that the amounts of income tax received from Jinzhou DPF-TH and Fuxin Hengtong for the three years ended 31 December 2013 match the amounts of income tax paid in the respective years as disclosed in the Prospectus and as evidenced by relevant tax filings, accounting records and tax receipts. The Tax Confirmation Letters also confirmed the amounts of VAT paid by the Group which match with the Group's tax filings, accounting records and tax receipts.
5. The allegation in the Reports that the Tax Confirmation Letters have been fabricated or obtained as a result of bribes are groundless and totally false. The Company's PRC legal adviser, Commerce & Finance Law Offices, has confirmed the authenticity of the AIC Confirmation Letters and the Tax Confirmation Letters.
6. The Company has confirmed that CITIC International accounted for over 40% of its sales of specialty fluorochemical products in 2013. CITIC Group Corporation, the parent company of CITIC International, provided a stamped written confirmation authorising the Company to publicly disclose such information in the Company's Prospectus.
7. Shanghai Xidatong, Shanghai Top and Heilongjiang Taina are bona fide independent third party customers not connected with the Company, and transactions with them are conducted on normal commercial terms and arm's length basis. Customers generally make payments prior to delivery of the Company's products.
8. Deloitte has not withdrawn their audit opinion in the Accountant's report included in the Prospectus.
9. The Company has made available for inspection by our registered shareholders at our principal office in Hong Kong copies of 2011 and 2012 financial statements of Jinzhou DPF-TH and Fuxin Hengtong as well as their income tax and VAT receipts and relevant bank statements for the Track Record Period.

The industry analysis contained in the AA Reports clearly demonstrates a lack of understanding of the specialty fluorochemicals industry which, together with the fact that the author of the AA Reports lacks basic understanding of relevant PRC regulations and accounting practices in China, has led to wildly inaccurate conclusions. The AA Reports quote unnamed, anonymous industry sources, use extremely simplistic and flawed market sizing methodologies, and more importantly, deliberately highlight only one subset of the market while ignoring the many other applications of anti-mar, which has led to a gross underestimation of the size of the anti-mar market. The AA Reports also failed to explain its ever changing estimation of the market size, and never disclosed whether their author has any relationship with the anonymous persons claimed to be expert or its market consultant.

The AA Reports attempt to mislead investors into thinking that the Company only sells anti-mar products, where in reality, anti-mar products contributed to approximately 17% of the Group's revenue for 2013. The AA Reports deliberately fail to mention our blue-chip customers, which include CITIC, CNPC, Sinopec, Total, and a multinational lubricant manufacturer in Europe, many of whom have worked with us for many years and together have contributed over 50% of our revenue from 2011 to 2013.

The author of the AA Reports continues with its attempt to mislead investors on matters unrelated to the business of the Company. For instance, in its Final Response, the author chose to present a photo of Shanghai Xidatong's office location which only shows a close up of the door plate of Shanghai Kangfute Biochemistry Co., Ltd. (上海康復特生物化學有限公司) ("**Shanghai Kangfute**"), but it fails to show Shanghai Xidatong's door plate on the office building in the background of the photo, where Shanghai Xidatong maintains its office. The Company would like to clarify that Shanghai Xidatong uses the facilities of Shanghai Kangfute, a company controlled by Mr. Sun Deqing, to process its products. As a result, Shanghai Xidatong maintains a business address at No. 688, Chengliu Highway, Jiading District, Shanghai, where Shanghai Kangfute is located. Based on a public search and after due enquiry, the Company has no knowledge that any other companies share this address. Both Mr. Sun Deqing and Shanghai Kangfute are independent third parties of the Company. The Company has never had any business relationship with Shanghai Kangfute.

The author of the AA Reports conceals itself behind a shroud of anonymity with no information on its identity or background, or its purported expert sources. As stated in the AA Reports, the author is neither regulated nor licensed in any jurisdiction. As also stated in the AA Reports, the entity's affiliates and/or clients may have a short position in the Company's Shares and would benefit if the price of the Shares decreases.

Over two decades, we have built the Company into a global leader in lubricant oil additives and specialty fluorochemicals. We underwent extensive due diligence to bring on board strategic partners and in completing our recent Hong Kong IPO. We are committed to providing our investors with full transparency, maximizing shareholder returns, and continuing to build our Company as a global leading specialty chemicals producer.

The Company reiterates that the allegations in the Final Response continue to be groundless, self-contradictory, unreliable, misleading and malicious as in the earlier Reports. The Company urges its shareholders and potential investors to only rely on information in the Prospectus, the Announcements or otherwise officially disseminated by the Company. The Company reserves all rights to take legal action for damages or other relief against the author of the AA Reports and/or associated individuals responsible for such defamatory acts.

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 of Directors
Tianhe Chemicals Group Limited
Wei Qi
Chairman

Hong Kong, 24 October 2014

As at the date of this announcement, the Board of Directors of the Company comprises Wei Qi, Wei Xuan, Joseph Lee and Jiang Po, as executive Directors; Homer Sun, as non-executive Director; Loke Yu (alias Loke Hoi Lam), Chan Kin Sang and Xu Xiaodong, as independent non-executive Directors.