

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



DONGYUE GROUP LIMITED

東岳集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 189)

CONNECTED TRANSACTION IN RELATION TO FORMATION OF JOINT VENTURE

FORMATION OF THE JOINT VENTURE

On 18 December 2017, Shandong Huaxia (a direct wholly-owned subsidiary of the Company), Huoer Guosi (a connected person of the Company) and Marco-link (a connected person of the Company) entered into the Articles, pursuant to which the parties agreed to (i) establish the Joint Venture for the purpose of engaging in the business of production and sale of hydrogen energy materials, hydrogen membrane materials, lithium battery, packaging materials and fluoropolymer fiber; and (ii) regulate their respective rights and obligations in the Joint Venture.

LISTING RULES IMPLICATIONS

Both Huoer Guosi and Marco-link are connected persons of the Company. Therefore, the entering into of the Articles and the formation the Joint Venture constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated with reference to the capital commitment of Shandong Huaxia of RMB40,000,000 under the Articles exceed(s) 0.1% but is/are less than 5%, the entering into of the Articles and the formation of the Joint Venture are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 18 December 2017, Shandong Huaxia (a direct wholly-owned subsidiary of the Company), Huoer Guosi (a connected person of the Company) and Marco-link (a connected person of the Company) entered into the Articles, pursuant to which the parties agreed to (i) establish the Joint Venture for the purpose of

engaging in the business of production and sale of hydrogen energy materials, hydrogen membrane materials, lithium battery, packaging materials and fluoropolymer fiber; and (ii) regulate their respective rights and obligations in the Joint Venture.

THE ARTICLES

Parties

- (i) Shandong Huaxia;
- (ii) Huoer Guosi; and
- (iii) Marco-link.

Formation of the Joint Venture

Pursuant to the Articles, the parties thereto agreed to establish the Joint Venture which shall be engaged in the business of production and sale of hydrogen energy materials, hydrogen membrane materials, lithium battery, packaging materials and fluoropolymer fiber.

Set out below are the major terms concerning the Joint Venture in the Articles:

Capital commitment: The Joint Venture shall have a registered capital of RMB100,000,000 (for illustration purpose only, equivalent to HK\$118,000,000 using the exchange rate of RMB1:HK\$1.18), which shall be contributed by Shandong Huaxia, Huoer Guosi and Marco-link, respectively, as follows:

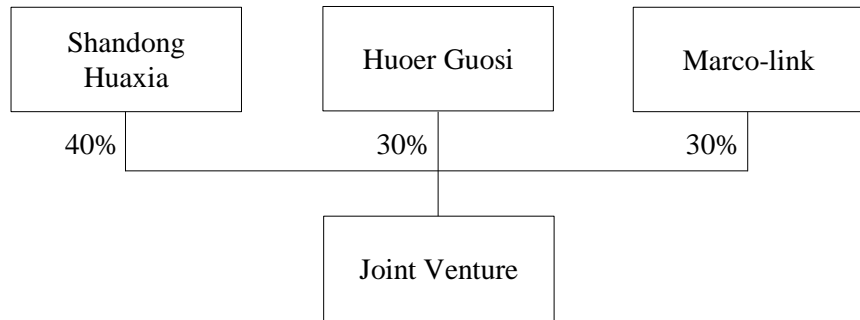
- (i) Shandong Huaxia: RMB40,000,000 (for illustration purpose only, equivalent to HK\$47,200,000 using the exchange rate of RMB1:HK\$1.18)
- (ii) Huoer Guosi: RMB30,000,000 (for illustration purpose only, equivalent to HK\$35,400,000 using the exchange rate of RMB1:HK\$1.18)
- (iii) Marco-link: RMB30,000,000 (for illustration purpose only, equivalent to HK\$35,400,000 using the exchange rate of RMB1:HK\$1.18)

Each of Shandong Huaxia, Huoer Guosi and Marco-link shall make its respective capital contribution before 15 January 2018.

The respective contribution to the registered capital of the Joint

Venture by Shandong Huaxia, Huoer Guosi and Marco-link is determined after arm's length negotiations among the parties to the Articles with reference to the proposed capital requirements of the Joint Venture and the parties' interest in the Joint Venture.

The chart below illustrates the ownership structure of the Joint Venture upon its establishment:



Voting by shareholders and reserved matters:

Shareholders of the Joint Venture shall exercise their voting rights at shareholders' meeting of the Joint Venture in proportion to their respective contribution to the registered capital of the Joint Venture.

Any amendment of the Articles, increase or reduction of registered capital of the Joint Venture or any merger, division, dissolution or change in the corporate structure of the Joint Venture (the **Reserved Matters**) shall require approval from all shareholders in the Joint Venture.

Save for the Reserved Matters, resolutions of shareholders' meetings shall be passed upon approval from shareholders holding more than two-third of the voting rights in the Joint Venture.

Board composition:

The Joint Venture shall establish a board of directors which consists of five directors, three of whom shall be appointed by Shandong Huaxia and each of the remaining two directors shall be appointed by Huoer Guosi and Marco-link, respectively.

Distribution of dividends:

Shareholders of the Joint Venture shall receive dividends in proportion to their respective actual contribution to the capital of the Joint Venture.

Restriction on transfers:

No shareholder of the Joint Venture shall transfer all or part of its equity interest in the Joint Venture to any party other than the shareholders of the Joint Venture without the other shareholders' consent. The non-selling shareholders of the Joint Venture shall have a right of first refusal in respect of the equity interest proposed for sale.

REASONS FOR AND BENEFITS OF FORMATION OF THE JOINT VENTURE

The Group has been conducting and has obtained achievements in two of its key research and development projects on (i) fuel cell membrane and (ii) chlor-alkali ion membrane.. Fuel cell membrane is the core component of fuel cell, which is often used in new energy vehicles. Chlor-alkali ion membrane is an essential part in the production of chlor-alkali. In order to facilitate the progress of transforming the achievements in its research and development on fuel cell membrane and chlor-alkali ion membrane into marketable products and thereby realizing economic benefits, the Company has decided to set up the Joint Venture, which will specialize in production and sale of hydrogen energy materials, hydrogen membrane materials, lithium battery, packaging materials and fluoropolymer fiber, by consolidating the respective strengths of the Group and the resources and network of Huoer Guosi and Marco-link as the joint venture partners.

In view of the Company's control over the majority of the composition of the board of directors of the Joint Venture, the Joint Venture will be accounted for as a subsidiary of the Company, and its financial results will be consolidated into the consolidated financial statements of the Group.

The Directors (including the independent non-executive Directors) consider the terms of the Articles, 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 the Shareholders as a whole.

INFORMATION ON THE GROUP

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

INFORMATION ON HUOER GUOSI

Huoer Guosi is a PRC limited partnership principally engaged in equity investment. Mr. Wang Weidong, a director of certain subsidiaries of the Company, is a general partner of Huoer Guosi. In addition, Mr. Zhang Jianhong and Mr. Zhang Zhefeng (each an executive Director) together hold more than 30% interest in Huoer Guosi as limited partners. Therefore, Huoer Guosi is a connected person of the Company.

INFORMATION ON MARCO-LINK

Marco-link is a company incorporated in the PRC with limited liability which is principally engaged in catering and accommodation and real estate development. Marco-link International Investment Co., Ltd., an indirect wholly-owned subsidiary of Marco-link, is a substantial Shareholder holding approximately 29.20% of the issued share capital of the Company. In addition, Marco-link is an associate of Mr. Fu Kwan (an executive Director) as it is indirectly controlled by Mr. Fu Kwan. Therefore, Marco-link is a connected person of the Company.

LISTING RULES IMPLICATIONS

As stated above, both Huoer Guosi and Marco-link are connected persons of the Company. Therefore, the entering into of the Articles and the formation the Joint Venture constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated with reference to the capital commitment of Shandong Huaxia of RMB40,000,000 under the Articles exceed(s) 0.1% but is/are less than 5%, the entering into of the Articles and the formation of the Joint Venture are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, apart from Mr. Fu Kwan, Mr. Zhang Jianhong and Mr. Zhang Zhefeng who have abstained from voting on the Board resolutions approving the Articles and the formation of the Joint Venture in view of their respective interests therein, no other Directors were in any way materially interested in and therefore have abstained from voting on the Board resolutions approving the Articles and the formation of the Joint Venture. Nevertheless, Mr. Zhang Bishu has also abstained from voting on the Board resolutions approving the Articles and the formation of the Joint Venture by virtue of his directorship in Marco-link.

DEFINITIONS

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

“Articles”	the articles of association entered into among Shandong Huaxia, Huoer Guosi and Marco-link on 18 December 2017 in relation to the Joint Venture
“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)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Huoer Guosi”	Huoer Guosi Xuri Equity Investment Partnership, a PRC limited partnership and a connected person of the Company

“Joint Venture”	Shandong Dongyue Future Hydrogen Energy Materials Co., Ltd, a joint venture company to be established as a limited liability company in the PRC pursuant to the Articles for the purpose of engaging in the business of production and sale of hydrogen energy materials, hydrogen membrane materials, lithium battery, packaging materials and fluoropolymer fiber
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Marco-link”	Marco-link Holdings Limited, a company incorporated in the PRC with limited liability and a connected person of the Company
“PRC”	the People’s Republic of China, excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Huaxia”	Shandong Huaxia Shenzhou New Materials Co., Ltd., a company incorporated in the PRC with limited liability, a direct wholly-owned subsidiary of the Company
“Shareholders”	registered holders of the Shares from time to time
“Shares”	ordinary shares of HK\$0.10 each of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	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, 18 December 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.