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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO CONTINUING CONNECTED TRANSACTION IN RELATION TO RAW MATERIALS MASTER SUPPLY AGREEMENT

Reference is made to the announcement of the Company dated 14 February 2018 in relation to the Raw Materials Master Supply Agreement (the **Announcement**). Unless otherwise stated, terms used in this announcement shall have the same meaning as those used in the Announcement.

The Board would like to provide supplementary information in relation to the pricing principles under the Raw Materials Master Supply Agreement as follows.

As disclosed in the Announcement, the pricing for the raw materials to be supplied by the Remaining Group to Dongyue Organosilicone shall first be determined based on the fair market prices of the respective raw materials offered by the Remaining Group to Independent Third Parties at the relevant times for similar raw materials in its ordinary and usual course of business. In this regard, the Company would like to supplement that the Remaining Group would make reference to three to five contemporaneous transactions with Independent Third Parties for similar raw materials in similar quantities for the purpose of determining the prices and terms to be offered by the Remaining Group to Dongyue Organosilicone. Further, where no such fair market prices are available or applicable, the prices to be offered by the Remaining Group to Dongyue Organosilicone would be based on the actual or reasonable cost incurred thereof plus a profit margin of not more than 25%, depending on the types of raw materials to be supplied, as determined by the Remaining Group and agreed by Dongyue Organosilicone.

Save as disclosed above, all information as contained in the Announcement shall remain unchanged.

By Order of the Board
Dongyue Group Limited
Zhang Jianhong
Chairman

The PRC, 27 February 2018

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.