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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)

CONNECTED TRANSACTION DISPOSAL OF LAND

THE LAND DISPOSAL AGREEMENT

The Board announces that the Seller, a wholly-owned subsidiary of the Company, has entered into the Land Disposal Agreement with the Purchaser, pursuant to which the Seller agreed to sell and the Purchaser agreed to purchase the land use rights of the Land for a consideration of RMB19,764,000 (for illustration purpose only, equivalent to approximately HK\$23,123,880 using the exchange rate of RMB1:HK\$1.17).

LISTING RULES IMPLICATIONS

The Purchaser is a connected subsidiary of the Company. Therefore, the Disposal constitutes 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) in respect of the Disposal exceed(s) 0.1% but are all less than 5%, the Disposal is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE LAND DISPOSAL AGREEMENT

Date: 8 March 2019 (after trading hours)

Parties:

- (i) Shandong Huaxia Shenzhou New Materials Co., Ltd. (as the Seller); and
- (ii) Shandong Dongyue Future Hydrogen Energy Materials Co., Ltd. (as the Purchaser).

Subject matter: The Seller agreed to sell and the Purchaser agreed to purchase the land use rights of the Land.

The Land, with a site area of 43,147.86 square meters, is for industrial use and has a term of 50 years expiring on 20 May 2063. The Land is currently vacant for future development.

Consideration: RMB19,764,000 (for illustration purpose only, equivalent to approximately HK\$23,123,880 using the exchange rate of RMB1:HK\$1.17)

The consideration was arrived at after arm's length negotiations between the Seller and the Purchaser with reference to recent public auction prices of lands in the vicinity of the Land.

As of 31 December 2018, the unaudited net book value of the Land was approximately RMB17.3 million.

Completion: Completion of the Land Disposal Agreement is subject to:

- (i) approval of the Disposal by the respective board of directors of the Seller and the Purchaser;
- (ii) compliance by the Company of all regulatory requirements applicable to the Disposal under the Listing Rules; and
- (iii) completion of registration procedures in respect of transfer of land use rights of the Land,

failing which the Disposal shall terminate and all monies received by the Seller shall be refunded to the Purchaser.

As of the date hereof, the Disposal has been completed.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Taking into account (a) the availability of surplus land of the Group in Huantai County, Zibo City, Shandong Province, the PRC; (b) the consideration for the Disposal, which was arrived at after arm's length negotiations between the Seller and the Purchaser with reference to recent public auction prices of lands in the vicinity of the Land, being higher than the net book value of the Land; and (c) the Purchaser's need of additional land(s) for the construction of new manufacturing facilities for its production of hydrogen energy materials, hydrogen membrane materials, lithium battery, packaging

materials and fluoropolymer fiber, the Board considers that the Disposal provides a good opportunity for the Group to realise the Land at a reasonable price and further enhance the financial position of the Group, and for the Purchaser to further develop its manufacturing business.

The Directors (including the independent non-executive Directors but excluding the Abstained Directors (as defined below)) consider that the terms of the Land Disposal Agreement are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPACTS OF THE DISPOSAL AND USE OF PROCEEDS

Subject to the audit to be performed by the auditors of the Company, the Board estimates that the Group will record an estimated gain of approximately RMB1.3 million (before tax and expenses) on the Disposal, calculated based on the difference between the consideration for the Disposal and the net book value of the Land as of 31 December 2018 and the shareholding of the Seller in the Purchaser, which will be recognised in the Group's accounts for the year ending 31 December 2019.

The net proceeds from the Disposal (after expenses) are intended to be used by the Group as general working capital.

INFORMATION ON THE GROUP AND THE SELLER

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.

The Seller, an indirect wholly-owned subsidiary of the Company, is a company incorporated in the PRC with limited liability. It is principally engaged in production and sale of hydrochloric acid, polytetrafluoroethylene and vinylidene fluoride, production and sale of polyvinylidene fluoride, fluororubber, fluorinated ethylene propylene, perfluorosulfonic acid and perfluorooctanoic acid, and import and export of goods.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the PRC with limited liability which is principally engaged in the business of production and sale of hydrogen energy materials, hydrogen membrane materials, lithium battery, packaging materials and fluoropolymer fiber.

The Purchaser is held as to 40% by the Seller, 30% by Huoer Guosi and 30% by Macro-link, and is accounted for as a subsidiary of the Company.

Huoer Guosi is a PRC limited partnership principally engaged in equity investment. Its general partner is a director of certain subsidiaries of the Company, and its limited partners include two executive Directors who together hold more than 30% interest in Huoer Guosi as limited partners and

accordingly, Huoer Guosi is a connected person of the Company. Macro-link is the indirect holding company of Macrolink International Investment Co., Ltd., a substantial Shareholder holding approximately 29.20% of the issued share capital of the Company and accordingly, Macro-link is a connected person of the Company.

Therefore, pursuant to Rule 14A.16 of the Listing Rules, the Purchaser is a connected subsidiary of the Company as it is a non-wholly owned subsidiary of the Company in which each of Huoer Guosi and Macro-link can exercise or control the exercise of 10% or more of the voting power at the Purchaser's general meeting.

LISTING RULES IMPLICATIONS

As stated above, the Purchaser is a connected subsidiary of the Company. Therefore, the Disposal constitutes 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) in respect of the Disposal exceed(s) 0.1% but are all less than 5%, the Disposal is 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, Mr. Zhang Zhefeng and Mr. Zhang Bishu (the "**Abstained Directors**") who have abstained from voting on the Board resolutions approving the Land Disposal Agreement in view of their respective interests in the Purchaser, none of the Directors was in any way materially interested in the Disposal.

DEFINITIONS

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

"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
"Disposal"	the disposal of the Land by the Seller to the Purchaser pursuant to the Land Disposal Agreement
"Group"	the Company and its subsidiaries

“Huoer Guosi”	Huoer Guosi Xuri Equity Investment Partnership, a PRC limited partnership and a connected person of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Land”	a parcel of land located at No. 1908 Gongye Road, Tangshan Town, Huantai County, Zibo City, Shandong Province, the PRC (中國山東省淄博市桓台縣唐山鎮工業路1908號) with a site area of 43,147.86 square meters
“Land Disposal Agreement”	various land transfer contracts, the last of which dated 8 March 2019 (after trading hours), entered into between the Seller and the Purchaser in relation to the Disposal
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Macro-link”	Macro-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
“Purchaser”	Shandong Dongyue Future Hydrogen Energy Materials Co., Ltd. (山東東岳未來氫能材料有限公司), a company incorporated in the PRC with limited liability and a connected subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	Shandong Huaxia Shenzhou New Materials Co., Ltd. (山東華夏神舟新材料有限公司), a company incorporated in the PRC with limited liability, an indirect 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)”, “connected subsidiary(ies)”, “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, 8 March 2019

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.