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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 CONNECTED TRANSACTION IN RELATION TO FORMATION OF JOINT VENTURE

Reference is made to the announcement of the Company dated 18 December 2017 in relation to the formation of the Joint Venture (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 reasons and benefits of formation of the Joint Venture as follows.

As disclosed in the Announcement, the Group seeks to facilitate the progress in transforming the achievements in its research and development on fuel cell membrane and chlor-alkali ion membrane into marketable products and thereby commercializing its know-how to realize economic benefits. Since the fuel cell membrane and chlor-alkali ion membrane are still in the phase of research and development, it is necessary to engage well-established and reliable partners to support the development of the membrane material business of the Group and share risks. The inclusion of Huoer Guosi and Macro-Link in the Joint Venture is essential to the development of fuel cell and chlor-alkali products. Therefore, the Board considers that the formation of the Joint Venture is beneficial and necessary in achieving such objective.

Macro-Link has vast industry experience and a track record in investment and resource integration in investing into the new energy sector, for example, it has investments in several enterprises in the PRC (including companies whose shares are listed) which engage in, inter alia, lithium battery, smart photovoltaic products and other new energy products. Furthermore, to a larger extent, the strengths of Macro-Link in the integration of industrial chain, capital operation and marketing in respect of the membrane materials will be beneficial to the Group. Macro-Link possesses human resources and management personnel with industrial experience and it is envisaged that such personnel will be appointed by the Joint Venture, if considered appropriate, to assist the management of its business going forward.

Huoer Guosi is a limited partnership, the limited partners of which consist of, among others, core technical personnel who provide the essential technical expertise in the research and development and commercialization of know-how into marketable products. The Board considers that the formation of the Joint Venture is to recognize their contributions and to provide them with incentives on the furtherance of the research and development and commercialization of fuel cell and chlor-alkali products.

As such, the Board considers that through establishing the Joint Venture and by leveraging on the experience and expertise of Macro-Link and Huoer Guosi, the collaboration in the development of the business engaged by the Joint Venture will be in the long term interest of the Group.

By Order of the Board
Dongyue Group Limited
Zhang Jianhong
Chairman

The PRC, 22 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.