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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)

DISCLOSEABLE TRANSACTION FORMATION OF A JOINT VENTURE COMPANY

FORMATION OF THE JV COMPANY

The Board is pleased to announce that on 26 January 2017, Dongyue Polymers, a directly wholly-owned subsidiary of the Company, and the JV Partners entered into the Articles of Association in relation to the formation of the JV Company, a limited liability company which will be established in the PRC and principally engaged in inter alia, asset management and bulk transfer of non-performing assets of financial enterprises in Shandong Province, the PRC. The registered capital of the JV Company will be RMB10,000,000,000, of which Dongyue Polymers will contribute a total of RMB600,000,000 representing 6% of the total registered capital of the JV Company upon establishment.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios in respect of the formation of the JV Company pursuant to Chapter 14 of the Listing Rules exceed 5% but are less than 25%, the formation of the JV Company in accordance with the terms of the Articles of Association constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 26 January 2017, Dongyue Polymers, a directly wholly-owned subsidiary of the Company, and the JV Partners entered into the Articles of Association in relation to the formation of the JV Company. The registered capital of the JV Company will be RMB10,000,000,000, of which Dongyue Polymers will contribute a total of RMB600,000,000, representing 6% of the total registered capital of the JV Company upon establishment. The principal terms of the Articles of Association are set out below.

ARTICLES OF ASSOCIATION

Date

26 January 2017

Parties

- (i) China Minsheng Investment Corp., Ltd. (中國民生投資股份有限公司);
- (ii) Shandong State-owned Assets Investment Holding Co., Ltd. (山東省國有資產投資控股有限公司);
- (iii) Shandong Development Investment Holding Group Co., Ltd. (山東發展投資控股集團有限公司);

- (iv) Dongyue Polymers;
- (v) Wantong Haixin Holding Co., Ltd. (萬通海欣控股股份有限公司); and
- (vi) Beijing Xizhi Capital Management Co., Ltd. (北京羲之資本管理有限公司).

The Company holds 2% equity interest in China Minsheng Investment Holding Co., Ltd. (中國民生投資股份有限公司) and Mr. Zhang Jianhong, the Chairman and executive director of the Company is also one of the directors on the board of directors of China Minsheng Investment Holding Co., Ltd. Save as disclosed, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the JV Partners and its ultimate beneficial owner(s) are Independent Third Parties.

Subject matter

The JV Company will be a limited liability company to be established in accordance with the laws of the PRC and the Articles of Association.

The proposed name of the JV Company is Taihe Assets Management Co., Ltd. (泰合資產管理有限公司).

Purpose of the JV Company

The JV Company will be principally engaged in inter alia, asset management and bulk transfer of non-performing assets of financial enterprises in Shandong Province, the PRC. Pursuant to the Articles of Association, subject to approval by the relevant company registration authority, the business scope of the JV Company also includes, *inter alia*, asset investment, restructuring, merger and acquisitions, project financing of corporate assets, and consultation services on investment management and business management.

Capital contribution

The registered capital of the JV Company shall be RMB10,000,000,000, which was determined after arm's length negotiations between the JV Parties with reference to the initial capital requirement and business development requirement of the JV Company. Capital contribution shall be made in cash by the JV Parties as shareholders of the JV Company as follow:

| Party | Capital contribution (RMB) | Percentage of equity interest in the JV Company |
|--|---------------------------------------|--|
| China Minsheng Investment Corp., Ltd. (中國民生投資股份有限公司) | 4,600,000,000 | 46% |
| Shandong State-owned Assets Investment Holding Co., Ltd. (山東省國有資產投資控股有限公司) | 2,500,000,000 | 25% |
| Shandong Development Investment Holding Group Co., Ltd. (山東發展投資控股集團有限公司) | 1,500,000,000 | 15% |
| Dongyue Polymers | 600,000,000 | 6% |
| Wantong Haixin Holding Co., Ltd. (萬通海欣控股股份有限公司) | 400,000,000 | 4% |
| Beijing Xizhi Capital Management Co., Ltd. (北京羲之資本管理有限公司) | 400,000,000 | 4% |

The respective capital contribution of each of the JV Parties shall be payable in three instalments. For the first instalment, not less than 20% of the respective capital contribution shall be payable upon establishment of the JV Company. For the second instalment, not less than 30% of the respective capital contribution shall be payable on or before 30 June 2017. For the last instalment, the balance of the respective capital contribution shall be

payable on or before 30 June 2018. Pursuant to the Articles of Association, the liability of each of the JV Parties in respect of the JV Company shall be limited to the respective amount of their committed capital contribution.

The Group intends to finance its investment in the JV Company by internal resources. As at the date of this announcement, the JV Company has not yet been established and has not commenced any business operations. As Dongyue Polymers will only hold 6% equity interests in the JV Company upon completion of the capital contribution by the JV Partners, the JV Company will not be accounted for as a subsidiary of the Company and will not be included in the Group's consolidated financial statements.

Composition of the board of directors of the JV Company

The board of directors of the JV Company will comprise five directors, two of whom shall be appointed by China Minsheng Investment Corp., Ltd. (中國民生投資股份有限公司) and the remaining three directors shall be appointed by Shandong State-owned Assets Investment Holding Co., Ltd. (山東省國有資產投資控股有限公司), Shandong Development Investment Holding Group Co., Ltd. (山東發展投資控股集團有限公司) and Dongyue Polymers, respectively.

All resolutions of the board of directors of the JV Company shall be passed by simple majority of votes, except for the following matters which require consent of not less than two-thirds of all directors of the JV Company:

- (i) formulating development strategy plan, business plan, audit plan and annual investment plan for the JV Company;
- (ii) determining internal management structure of the JV Company;
- (iii) appointment or dismissal of the general manager of the JV Company;
- (iv) appointment or dismissal of the deputy general manager and the chief officer in accordance with recommendations of the general manager of the JV Company;
- (v) determining the remuneration of the general manager, the deputy general manager and the chief officer of the JV Company;
- (vi) transactions (including external investment, acquisition, disposal or pledge of major assets and provision of major guarantees) with transaction amount reaching or exceeding 10% of the registered capital of the JV Company;
- (vii) related party transactions with transaction amount not more than 15% of the registered capital of the Company (related party transactions with transaction amount reaching or exceeding 15% of the registered capital of the JV Company shall be approved by not less than two-thirds of the shareholders of the JV Company);
- (viii) appointment or dismissal of auditors of the JV Company; and
- (ix) formulating the basic management system of the JV Company.

Restrictions on equity transfers

In the event that a shareholder of the JV Company proposes to transfer the whole or part of its equity interest in the JV Company, the other shareholders of the JV Company shall have a right of first refusal in respect of such transfer.

INFORMATION ON THE GROUP AND THE PARTIES TO THE ARTICLES OF ASSOCIATION

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

China Minsheng Investment Corp., Ltd. (中國民生投資股份有限公司) is a conglomerate founded in Shanghai, the PRC with a wide variety of businesses including equity investment, equity investment management, business consulting, financial consulting, industrial investment, asset management and investment consulting.

Shandong State-owned Assets Investment Holding Co., Ltd. (山東省國有資產投資控股有限公司) is a state-owned enterprise established in the PRC which engages in inter alia state-owned asset management, equity investment and management, mergers and acquisitions and investment consulting.

Shandong Development Investment Holding Group Co., Ltd. (山東發展投資控股集團有限公司) is a state-owned enterprise established in the PRC which engages in inter alia investments, asset management and capital management.

Wantong Haixin Holding Co., Ltd. (萬通海欣控股股份有限公司) is a company established in the PRC which engages in inter alia investments in petrochemical and energy industries, container and logistics industries.

Beijing Xizhi Capital Management Co., Ltd. (北京羲之資本管理有限公司) is a company established in the PRC which engages in inter alia asset management, investment management and enterprise management consulting.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JV COMPANY

The JV Company will, upon establishment, form a new platform for engaging in asset management and bulk transfer of non-performing assets of financial enterprises in Shandong Province and participating in corporate restructuring and merger and acquisition activities in the PRC, which are businesses with development potentials. Through the establishment of the JV Company, the Group may participate in the businesses of the JV Company as its shareholder and benefit from any synergies and growth potentials which may arise. Through cooperating with the JV Partners as shareholders of the JV Company, the Group can leverage on the strengths of those JV Partners with state-owned background to facilitate the JV Company in its operations and business activities.

In view of the above, the Directors are of the view that the terms of the formation of the JV Company in accordance with the Articles of Association, which were determined after arm's length negotiations between the parties thereto, are normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the formation of the JV Company pursuant to Chapter 14 of the Listing Rules exceed 5% but are less than 25%, the formation of the JV Company in accordance with the terms of the Articles of Association constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

To the best of the Board's knowledge, information and belief having made all reasonable enquiries, no Director has a material interest in the formation of the JV Company and no Director has abstained from voting on the board resolutions approving the formation of the JV Company and transactions contemplated thereunder.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended at the request of the Company since 9:00 a.m. on 1 April 2016 and will remain suspended until further notice.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

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| “Articles of Association” | the articles of association entered into by Dongyue Polymers and the JV Partners on 26 January 2017 for the establishment of the JV Company |
| “Board” | the board of Directors |

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|--------------------------------|---|
| “Company” | Dongyue Group Limited, a company incorporated in the Cayman Islands with limited liabilities, the shares of which are listed on the Main Board of the Stock Exchange |
| “connected person” | has the meaning as defined under the Listing Rules |
| “Directors” | the director(s), including independent non-executive director(s), of the Company |
| “Dongyue Polymers” | Shandong Dongyue Polymers Co., Ltd. (山東東岳高分子材料有限公司), a directly wholly-owned subsidiary of the Company |
| “Group” | the Company and its subsidiaries |
| “independent third party(ies)” | third party(ies) independent of and not connected with the Company and connected persons of the Company |
| “JV Company” | a limited liability company to be established under the laws of the PRC and in accordance with the Articles of Association |
| “JV Parties” | the parties to the Articles of Association, namely, Dongyue Polymers and the JV Partners |
| “JV Partners” | China Minsheng Investment Corp., Ltd. (中國民生投資股份有限公司), Shandong State-owned Assets Investment Holding Co., Ltd. (山東省國有資產投資控股有限公司), Shandong Development Investment Holding Group Co., Ltd. (山東發展投資控股集團有限公司), Wantong Haixin Holding Co., Ltd. (萬通海欣控股股份有限公司) and Beijing Xizhi Capital Management Co., Ltd. (北京羲之資本管理有限公司) |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “PRC” | the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this announcement |
| “RMB” | Renminbi, the lawful currency of PRC |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “%” | per cent |

By Order of the Board
Dongyue Group Limited
Zhang Jianhong
Chairman

The PRC, 26 January 2017

As at the date of this announcement, the directors of the Company are Mr. Zhang Jianhong, Mr. Fu Kwan, Mr. Liu Chuanqi, Mr. Cui Tongzheng, Mr. Feng Jianjun 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.