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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)

VOLUNTARY ANNOUNCEMENT UPDATE ON CONNECTED TRANSACTION IN RELATION TO CAPITAL INJECTION INTO SHANDONG DONGYUE FUTURE HYDROGEN ENERGY MATERIALS CO., LTD.

This announcement is made by Dongyue Group Limited (the “**Company**”) on a voluntary basis.

Reference is made to the announcement of the Company dated 28 May 2020 (the “**Announcement**”) in relation to the Capital Injection of RMB100 million by Dongyue Organosilicone (an indirect non-wholly owned subsidiary of the Company) into the Target Company. Unless otherwise stated, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Board wishes to update the Shareholders that on 9 June 2020, Dongyue Organosilicone and the Target Company have signed the Capital Injection Agreement pursuant to the Letter of Intent. The principal terms of the Capital Injection Agreement are set out below:

**Payment of
the Capital
Injection:**

The Capital Injection of RMB100 million shall be paid by Dongyue Organosilicone to the Target Company in the following manner:

- (i) RMB30 million (the “**First Capital Injection Instalment**”), representing 30% of the Capital Injection, shall be paid within 7 business days after the date of the Capital Injection Agreement. The Target Company shall refund the deposit of RMB30 million paid by Dongyue Organosilicone in full within 3 business days after receipt of the First Capital Injection Instalment from Dongyue Organosilicone; and
- (ii) RMB70 million, representing 70% of the Capital Injection, shall be paid within 15 business days after the date of the Capital Injection Agreement.

Pre-emptive right: All shareholders of the Target Company after completion of the Capital Increase shall have pre-emptive right in respect of any further increase in the registered capital of the Target Company.

Put option: In the event that the shares in the Target Company fail to be listed on a stock exchange in the PRC by way of initial public offering (the “**Listing**”) before 31 December 2023 (the “**Long Stop Date**”), Dongyue Organosilicone shall have the right (the “**Put Option**”) to, during the period from 1 January 2024 to 31 December 2024, by written notice (the “**Repurchase Notice**”) require the Target Company or a third party designated by the Target Company to repurchase all shareholding of Dongyue Organosilicone in the Target Company within 20 business days from the date of the Repurchase Notice at a price (the “**Repurchase Price**”) to be calculated using the following formula:

RMB100 million (equivalent to the Capital Injection amount) × (1 + 8%)^T – cash dividends received by Dongyue Organosilicone by virtue of its shareholding in the Target Company (if any)

where:

T = number of days between (i) the day on which the full amount of the Capital Injection is paid by Dongyue Organosilicone to the Target Company and (ii) the earlier of (a) full payment of the Repurchase Price by the Target Company or a third party designated by the Target Company to Dongyue Organosilicone and (b) 30 June 2024 ÷ 365

The Put Option shall become immediately exercisable by Dongyue Organosilicone if the Listing becomes impossible to be completed before the Long Stop Date due to serious default of the Target Company.

The Put Option shall automatically and unconditionally terminate upon the earlier of (i) the Target Company having submitted a listing application to and having received the notice of acceptance from the China Securities Regulatory Commission (the “**CSRC**”) or the Shanghai Stock Exchange or the Shenzhen Stock Exchange and (ii) the Put Option being required to be terminated according to the rules of the CSRC or the Shanghai Stock Exchange or the Shenzhen Stock Exchange or the requirements of other competent securities regulatory authorities.

The Put Option shall lapse if Dongyue Organosilicone transfers or otherwise disposes of all or part of its shareholding in the Target Company before the Long Stop Date.

Lock-up: During the period between the date of the Capital Injection Agreement and the Long Stop Date, Dongyue Organosilicone shall not transfer or otherwise dispose of any of its shareholding in the Target Company, unless otherwise approved by a majority of the voting power of the

Target Company's shareholders (excluding the transferring shareholder and its related parties).

Termination: In the event that Dongyue Organosilicone fails to pay the Capital Injection in full in accordance with the Capital Injection Agreement for 20 days or more, the Target Company shall have the right to terminate the Capital Injection Agreement and forfeit the First Capital Injection Instalment as liquidated damages.

By Order of the Board
Dongyue Group Limited
Zhang Jianhong
Chairman

The PRC, 9 June 2020

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.