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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)**

### **ADOPTION OF EMPLOYEE OPTION SCHEME**

The Board is pleased to announce that it has approved the adoption of the Scheme on 27 December 2018, pursuant to which the Trustee will purchase existing Shares from the market out of cash contributed by the Group and be held on trust for the relevant Selected Employees until such Options are vested with the relevant Selected Employees in accordance with the provisions of the Scheme and the terms and conditions of the relevant Grants.

The Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules. No Shareholders' approval is required to adopt the Scheme.

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### **SUMMARY OF THE SCHEME RULES**

#### **(1) Purposes and objectives**

The specific objectives of the Scheme are (i) to recognise the contributions by certain Employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

**(2) Duration**

Subject to any early termination as may be determined by the Board pursuant to the Scheme Rules, the Scheme shall be valid and effective for a term of five (5) years commencing on the Adoption Date. The Scheme may however be extended by a resolution of the Board.

**(3) Administration**

The Scheme shall be subject to the administration of the Board and the Trustee in accordance with the Scheme Rules and the Trust Deed. The decision of the Board with respect to any matter arising under the Scheme shall be final and binding.

The Trustee shall hold the Trust Fund in accordance with the terms of the Trust Deed. All cash income and the sale proceeds of non-scrip distribution declared in respect of a Share held upon the Trust will be applied towards (i) the payment of the fees, costs and expenses of the Trust and (ii) the remainder, if any, remain as part of the Trust Fund.

**(4) Scheme limit**

The Board shall not give any further instruction to the Trustee to purchase (and the Trustee shall not purchase) any Shares which will result in the aggregate number of Shares held by the Trustee and the Option Shares outstanding under the Scheme to exceed 200,000,000 or to constitute 10% or more of the issued Shares of the Company, whichever is lower, at any relevant time.

**(5) Operation of the Scheme**

The Board may from time to time cause to be paid a Contributed Amount to the Trust by way of settlement or otherwise contributed by the Company or any of its subsidiaries as directed by the Board which shall constitute part of the Trust Fund, for the purchase of Shares and other purposes set out in the Scheme Rules and the Trust Deed. The Contributed Amount shall not exceed HK\$800,000,000 in total at all material times.

Subject to the Scheme Rules, the Board may from time to time instruct the Trustee to purchase or procure the purchase of the Shares on the Stock Exchange using the maximum amount of funds and within the range of prices as specified by the Board. Once purchased, the Shares are to be held by the Trustee for the benefit of Selected Employees under the Trust on and subject to the terms and conditions of the Scheme Rules and the Trust Deed.

**(6) Grant of Options to Selected Employees**

Subject to the Scheme Rules, the Board may, from time to time, at its absolute discretion select any Employee (other than any Excluded Employee) for participation in the Scheme as a Selected Employee, and grant once per each financial year of the Company during the duration

of the Scheme, such Option(s) to any Selected Employee exercisable at the Initial Acquisition Price. The Exercise Price shall be equal to the Initial Acquisition Price which is payable at the exercise of the relevant Option(s) by the Selected Employee (which may be net off against the Sale Price (as the case may be)). In the event that the total number of Shares purchased by the Trustee in any given financial year of the Company during the duration of the Scheme is less than 30,000,000 Shares, no Grant shall be made by the Board for that financial year and the Shares acquired shall be held by the Trustee until any Grant is made in following financial year.

In determining the number of Option Shares under the Option(s) to be granted to any Selected Employee (excluding any Excluded Employee), the Board shall take into consideration matters including but without limitation:

- (i) the present contribution and expected contribution of the relevant Selected Employee to the performance of the Group;
- (ii) the general financial condition of the Group;
- (iii) the Group's overall business objectives and future development plan; and
- (iv) any other matter which the Board considers relevant.

The Board is entitled to impose any conditions (including but not limited to a period of continued service within the Group after the Grant, individual performance targets of the Selected Employee and vesting period) as it deems appropriate in its absolute discretion with respect to the vesting of the Option(s) on the Selected Employee, and shall inform the Trustee and such Selected Employee the relevant conditions for exercise of the Option(s). Subject to applicable laws and regulations, the Board shall be at liberty to waive any such vesting conditions.

Where any Grant is proposed to be made to any Selected Employee who is a Director, such Grant must first be approved by all the members of the Remuneration Committee, or in the case where the Grant is proposed to be made to any member of the Remuneration Committee, by all of the other members of the Remuneration Committee.

Where any Grant is proposed to be made to any person who is a connected person of the Company within the meaning of the Listing Rules, the Company shall comply with such provisions of the Listing Rules as may be applicable, including any reporting, announcement and/or shareholders' approval requirements, unless otherwise exempted under the Listing Rules or by the Stock Exchange.

Prior to the Exercise Date, any Grant made under the Scheme Rules shall be personal to the Selected Employee to whom it is made and shall not be assignable and no Selected Employee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to the Options and/or Option Shares referable to him pursuant to such Grant.

Subject to the Scheme Rules, a Selected Employee shall not have (i) any interest or rights (including the right to receive dividends) in the Option Shares prior to the Exercise Date or (ii) any rights in the Residual Cash or Shares (other than his Option Shares in respect of which he has exercised in accordance with the Scheme Rules) or such other Trust Fund or property held by the Trust.

#### **(7) Vesting and Exercise of Options**

Subject to the terms and conditions of the Scheme and the fulfillment of all relevant vesting conditions (if any), the respective Option Shares held by the Trustee on behalf of a Selected Employee pursuant to the provision of the Scheme Rules shall vest in such Selected Employee in accordance with the relevant vesting schedule (if any) and the Selected Employee shall be entitled to exercise the Option in full (but not in part) within the Exercise Period which shall be five (5) calendar years from (i) the date of Grant or (ii) if the exercise of the Option is subject to a vesting period, the Vesting Date.

The Selected Employee shall exercise the Option(s) by serving an exercise notice in writing (to be prescribed by the Board) to the Board, electing the number of Option Shares which he wishes to (i) be transferred and/or (ii) to sell and receive the Cash Difference, if any. The Trustee shall accordingly cause the Option Shares to be transferred to such Selected Employee and/or the Cash Difference to be paid to such Selected Employee as the case may be within 30 business days after the Exercise Date or otherwise as agreed by the Board and the Selected Employee.

Unless otherwise waived by the Board, in the event that the relevant vesting conditions (if any) are not fully satisfied prior to or on the relevant Vesting Date, the Options in respect of the relevant Vesting Date shall lapse and be of no effect and the Selected Employee shall have no claims against the Company, any other member of the Group, the Board, the Trust or the Trustee.

Options that are vested but not exercised within the Exercise Period shall lapse and be of no effect and the Selected Employee shall have no claims against the Company, any other member of the Group, the Board, the Trust or the Trustee. The Trustee shall sell such Shares corresponding to those Options which have lapsed in the market.

In respect of a Selected Employee who died or retired by agreement with a member of the Group at any time prior to or on the Vesting Date, all the Options of the relevant Selected Employee shall be deemed to be vested on the day immediately prior to his death or the day immediately prior to his retirement with the relevant member of the Group.

Unless otherwise waived by the Board, a Selected Employee who has tendered his resignation to any member of the Group may not exercise the Option(s) granted to him before his resignation, even if such Option(s) are vested. Any outstanding Option(s) granted to him prior to his resignation shall lapse and be of no effect and the Selected Employee shall have no claims against the Company, any other member of the Group, the Board, the Trust or the Trustee.

#### **(8) Disqualification of Selected Employee**

In the event that prior to or on the Vesting Date, a Selected Employee:

- (i) is found to be an Excluded Employee;
- (ii) is deemed to cease to be an Employee in circumstances including, without limitation, the following:
  - (a) where such person has committed any act of fraud or dishonesty or serious misconduct, whether or not in connection with his employment or engagement by any member of the Group and whether or not it has resulted in his employment or engagement being terminated by the relevant member of the Group;
  - (b) where such person has been declared or adjudged to be bankrupt by a competent court or governmental body or has failed to pay his debts as they fall due (after the expiry of any applicable grace period) or has entered into any arrangement or composition with his creditors generally or an administrator has taken possession of any of his assets;
  - (c) where such person has been convicted of any criminal offence; or
  - (d) where such person has been convicted of or is being held liable for any offence under or any breach of the SFO or other securities laws or regulations in Hong Kong or any other applicable laws or regulations in force from time to time; or
- (iii) ceases to be an Employee by reason of (a) redundancy, severance, dismissal or resignation or (b) the entity by which such Selected Employee is employed or contracted with (as the case may be) ceases to be a subsidiary of the Company,

or an order for the winding up of the Company is made or a resolution is passed for the voluntary winding up of the Company, then, unless otherwise waived by the Board, the relevant Grant made to such Selected Employee shall automatically lapse forthwith and the relevant Options shall not vest on the relevant Vesting Date and the Shares corresponding to such Options shall remain part of the Trust Fund. Any vested Option(s) may not be exercised by the Selected Employee. Such Employee shall have no right or claim against the Company, any other member of the Group, the Board, the Trust or the Trustee or with respect to those or any other Options or any right thereto or interest therein in any way.

#### **(9) Restrictions**

No Grant shall be made by the Board and no instructions to acquire any Shares shall be given to the Trustee under the Scheme pursuant to the Scheme Rules where dealings in the Shares are prohibited under any code or requirement of the Listing Rules, the SFO and all applicable laws from time to time, including but not limited to the following circumstances:

- (i) after an event involving inside information in relation to affairs or securities of the Company has occurred or a matter involving inside information in relation to the securities of the Company has been the subject of a decision, until such inside information has been publicly announced in accordance with the applicable laws and the Listing Rules;
- (ii) during the period of 60 days immediately preceding the publication date of the annual results for any financial period of the Company or, if shorter, the period from the end of the relevant financial period up to the publication date of the results;
- (iii) during the period of 30 days immediately preceding the publication date of the interim results for any financial period of the Company or, if shorter, the period from the end of the relevant half-year period of the financial period up to the publication date of the results; or
- (iv) in any circumstance which is prohibited under the Listing Rules, the SFO or any other law or regulation or where any requisite approval from any governmental or regulatory authority has not been granted.

#### **(10) Alteration of the Scheme**

The Scheme may be amended in any respect by a resolution of the Board provided that no such amendment shall operate to affect materially and adversely any subsisting rights of any Selected Employee under the Scheme Rules.

## **(11) Voting rights**

The Trustee shall not exercise the voting rights in respect of any Shares held by it under the Trust (if any) (including but not limited to the Option Shares, any bonus Shares and scrip Shares derived therefrom).

## **(12) Termination**

The Scheme shall terminate on the earlier of: (i) the fifth (5th) anniversary date of the Adoption Date; and (ii) such date of early termination as determined by the Board by a resolution of the Board, provided that such termination shall not materially and adversely affect any subsisting rights of any Selected Employees under the Scheme Rules.

Upon termination of the Scheme:

- (i) no further grant of Options may be made under the Scheme;
- (ii) all the Options of the Selected Employees granted under the Scheme shall continue to be held by the Trustee and become vested in the Selected Employees according to the conditions of the Grant, subject to the receipt by the Trustee of the transfer documents prescribed by the Trustee and duly executed by the Selected Employee;
- (iii) upon the expiration of the Trust Period, all Shares (except for any Options subject to vesting on the Selected Employees) remaining in the Trust Fund shall be sold by the Trustee within 28 Business Days (on which the trading of the Shares has not been suspended) (or such longer period as the Trustee and the Board may otherwise determine); and
- (iv) upon the expiration of the Trust Period, all net proceeds of sale referred to in paragraph (iii) above and such other funds and properties remaining in the Trust Fund managed by the Trustee (after making appropriate deductions in respect of all disposal costs, liabilities and expenses) shall be remitted to the Company forthwith.

## **LISTING RULES IMPLICATION**

The Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules. No Shareholders' approval is required to adopt the Scheme.

## **DEFINITIONS**

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

“Adoption Date”	27 December 2018, being the date on which the Board adopted the Scheme Rules for the establishment of the Scheme
“Board”	the board of Directors
“Business Day”	a day (other than Saturday, Sunday or public holiday) on which the Stock Exchange is open for trading and on which banks are open for business in Hong Kong
“Cash Difference”	the difference between the Sale Price and the Exercise Price, if any, times the number of Option Shares
“Company”	Dongyue Group Limited (Stock Code: 189), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Contributed Amount”	cash paid or made available to the Trust by way of settlement or otherwise contributed by the Company and/or its subsidiaries as permitted under the Scheme to the Trust as determined by the Board from time to time, which shall not exceed HK\$800,000,000 in total at all material times
“Director(s)”	the director(s) of the Company
“Employee”	any individual being an employee (including without limitation any executive director) or consultant of any member of the Group at any time during the Trust Period
“Excluded Employee(s)”	any Employee who is resident in a place where the grant of the Options and/or the vesting and transfer of the Options pursuant to the terms of the Scheme is not permitted under the laws or regulations of such place or where in the view of the Board or the Trustee (as the case may be), compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such Employee
“Exercise Date”	the date on which the Selected Employee serves the exercise notice to the Board
“Exercise Period”	five (5) calendar years from (i) the date of Grant or (ii) if the exercise of the Option is subject to a vesting period, the Vesting Date



“Exercise Price”	the exercise price payable by a Selected Employee for the exercise of the Option(s) granted to him, which shall be equal to the Initial Acquisition Price
“Grant”	the grant of the Options(s) by the Board to a Selected Employee
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Acquisition Price”	in respect of an Option to be granted, the weighted average price of all the Shares acquired by the Trustee prior to such Grant (excluding such Shares which are the Option Shares in relation to Option(s) which are already vested at the time of such Grant)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Option(s)”	the right of a Selected Employee to purchase the Option Share(s) to be granted by the Board
“Option Share(s)”	the Share(s) to which a Selected Employee is entitled to purchase under the Option(s) granted to him by the Board
“Remuneration Committee”	the remuneration committee of the Company
“Residual Cash”	cash in the Trust Fund (including without limitation (i) any Contributed Amount or any remaining amount thereof; (ii) any cash income or dividends derived from Shares held under the Trust; (iii) other cash income or net proceeds of sale of non-cash and non-scrip distribution derived from or in respect of the Shares held under the Trust; and (iv) all interest or income derived from deposits maintained with licensed banks in Hong Kong) which has not been applied in the acquisition of any Shares
“Sale Price”	the sale price of such Option Share(s) which a Selected Employee elects to have the Trustee to sell on his behalf
“Scheme”	the employee option scheme constituted by the Scheme Rules
“Scheme Rules”	the Rules relating to the Scheme as amended from time to time

“Selected Employee(s)”	Employee(s) selected by the Board for participation in the Scheme
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shareholders”	holders of the Shares
“Shares”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trust”	the trust constituted by the Trust Deed
“Trust Deed”	a trust deed dated 27 December 2018 entered into between the Company and the Trustee (as restated, supplemented and amended from time to time)
“Trust Fund”	<p>the funds and properties held under the Trust and managed by the Trustee for the benefit of the Employees (other than the Excluded Employees), including without limitation:</p> <ul style="list-style-type: none"> <li>(i) all Shares acquired by the Trustee for the purpose of the Trust out of the Residual Cash and such other scrip income (including but not limited to bonus Shares and scrip dividends declared by the Company) derived from the Shares held upon the Trust;</li> <li>(ii) any Residual Cash;</li> <li>(iii) any Options or other property to be vested or not vested with the Selected Employee under the terms of the Scheme; and</li> <li>(iv) all other properties from time to time representing (a), (b) and (c) above</li> </ul>
“Trust Period”	<p>the period beginning with the Adoption Date and ending upon the first to happen of the following, namely:</p> <ul style="list-style-type: none"> <li>(i) 26 December 2023, being the expiry of the period of five (5) years beginning from the Adoption Date; or</li> <li>(ii) such date of early termination as determined by the Board</li> </ul>

“Trustee”	Shandong Dongyue Future Enterprise Management Consulting Services Co., Ltd, a wholly-owned subsidiary of the Company established under the laws of the People’s Republic of China and any additional or replacement trustees, being the trustee or trustees for the time being declared in the Trust Deed
“Vesting Date”	in respect of a Selected Employee, the date on which his entitlement to the Option Shares is vested in such Selected Employee in accordance with the Scheme
“%”	per cent

By Order of the Board  
**Dongyue Group Limited**  
**Zhang Jianhong**  
*Chairman*

Hong Kong, 27 December 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.*

\* *For identification purposes only*