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(Incorporated in the Cayman Islands with limited liability)

(Stock code: 0189)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

The Board announce that on 31 December 2010, Dongyue Fluorine Silicone, a subsidiary of the Company, and Dongying Macrolink Salt, entered into the Renewed Salt Purchase Agreement in relation to the supply of industrial salt.

Dongying Macrolink Salt is an associate of Mr. Fu Kwan, an executive Director, and Macrolink International, the controlling shareholder of the Company. The transactions contemplated under the Renewed Salt Purchase Agreement and the Revised Annual Caps constitute continuing connected transactions under the Listing Rules.

As each of the applicable percentage ratios set out in the Listing Rules for determining the value for the Continuing Connected Transactions is less than 5%, the Continuing Connected Transactions are only subject to reporting and announcement requirements and are exempt from independent shareholders' approval requirement.

BACKGROUND

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

The Group has entered into the Existing Salt Purchase Agreement with Dongying Macrolink Salt, pursuant to which Dongying Macrolink Salt agreed to supply industrial salt to the Group. The transactions contemplated under the Existing Salt Purchase Agreement constituted continuing connected transactions under the Listing Rules. The Existing Salt Purchase Agreement is due to expire on 31 December 2010 and details of the Existing Salt Purchase Agreement and the transactions thereunder were disclosed in the announcement of the Company dated 5 May 2008.

The Board announce that on 31 December 2010, Dongyue Fluorine Silicone, a subsidiary of the Company, and Dongying Macrolink Salt, entered into the Renewed Salt Purchase Agreement in relation to the supply of industrial salt in order to continue the transactions under the Existing Salt Purchase Agreement after 31 December 2010.

RENEWED SALT PURCHASE AGREEMENT

Details of the Renewed Salt Purchase Agreement are set out below:

1. Renewed Salt Purchase Agreement

Date: 31 December 2010

Parties: Purchaser: Dongyue Fluorine Silicone, the equity interest of which is directly owned as to 69.79% and indirectly owned as to 13.43% by the Company

Supplier: Dongying Macrolink Salt, an associate of Mr. Fu Kwan, an executive Director, and Macrolink International, which is owned as to 60% by Dongyue Fluorine Silicone and as to 40% by Macrolink Investment

Subject: Pursuant to the Renewed Salt Purchase Agreement, Dongying Macrolink Salt, which is principally engaged in the manufacture of industrial salt, agreed to supply industrial salt to any member of the Group from time to time as requested by the Group.

There is no provision in the Renewed Salt Purchase Agreement requiring the Group to exclusively source industrial salt from Dongying Macrolink Salt.

Term: The Renewed Salt Purchase Agreement shall have a term for the period from 1 January 2011 to 31 December 2013.

Purchase price: The purchase price for the industrial salt payable by the Group shall be paid by means of cheque or remittance with one month credit term and on normal commercial terms which will be determined after arm's length negotiation between the parties with reference to the then prevailing market price of industrial salt that is no less favourable than that offered to independent third parties.

HISTORICAL AMOUNTS AND ANNUAL CAPS

The historical amounts of the continuing connected transactions under the Existing Salt Purchase Agreement for the two years ended 31 December 2009 and eleven months ended 30 November 2010 are set out below:

	For the year ended 31 December		For the eleven months ended 30 November
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
Existing Salt Purchase Agreement	16,970	16,272	29,571

The Existing Annual Caps for the three years ended 31 December 2010 are set out below:

	For the year ended 31 December		
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Existing Salt Purchase Agreement	22,000	33,000	46,000

The Revised Annual Caps for each of the three years ending 31 December 2013 are set out below:

	For the year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Renewed Salt Purchase Agreement	64,000	87,000	119,700

The Company is optimistic about the future growth in sale of its products which will lead to possible growth in the purchase of direct materials. The expected Revised Annual Caps were determined by reference to a number of factors such as historical transaction amounts, marketing plan of the Group's products, the expected growth in demand for the Group's products and the consequential increase in the need for the relevant direct materials to meet the Group's requirements and the expected increase in costs of raw materials.

If the amount under the Continuing Connected Transactions for any of the above years exceeds the Revised Annual Caps, the Company will comply with the relevant requirements as stipulated under Chapter 14A of the Listing Rules.

REASONS FOR REVISED ANNUAL CAPS AND RENEWED SALT PURCHASE AGREEMENT

The Group is principally engaged in manufacture and sale of refrigerants, fluoropolymers, organic silicone and other products such as dichloromethane and liquid alkali.

Being well positioned to benefit from the PRC's strong economic growth which leads to higher consumer spending on electronics and household appliances in the PRC, the Group anticipates growth in domestic demand for its refrigerants and then sales volume of fluoropolymers, organic silicone and other related products. Given the nature, size and growth of the Group's business, the Group is required, and it is of paramount significance, to source and procure raw materials including industrial salt in massive quantity from reliable suppliers at a competitive price for use in its manufacturing process.

Dongying Macrolink Salt has established themselves as reliable supplier to the Group providing raw materials which are reasonably priced and able to meet the Group's sizable demand in quantity, stringent quality requirements and product variety. Due to the connected party relationship, it is expected that Dongying Macrolink Salt will give priority to purchase orders from the Group and allow flexibility in handling the Group's orders enabling the Group to ensure continued and reliable supply of raw materials to satisfy production needs. In addition, the relatively close vicinity of Dongying Macrolink Salt (compared to the geographical locations of independent suppliers) would save costs and time of transportation, setting up facilities and purchasing equipment. Sourcing raw materials from Dongying Macrolink Salt would also enable the Group to streamline and centralise its raw materials procurement process boosting production efficiency and reducing the overall production costs of the Group eventually. Accordingly, the Group intends to increase purchase ratio of industrial salt from Dongying Macrolink Salt starting from 2011 onwards.

Apart from the above, in determining the Revised Annual Caps for the Renewed Salt Purchase Agreement, the Directors have made the following assumptions: (a) approximate 250,000 units, 290,000 units and 350,000 units of purchase of industrial salt for 2011, 2012 and 2013 respectively; (b) an assumption of a growth rate of approximately 16% and approximately 21% of purchase units for 2012 and 2013; (c) an expected increase in the unit purchase price of approximately 20%, 16% and 14% for 2011, 2012 and 2013 respectively; and (d) the increase of production capacity of Dongying Macrolink Salt.

In view of the prevailing booming economy of the PRC and the Group's dedication to expanding its business, the Directors consider that the Existing Annual Caps limit and retard the potential growth of the Group. Further, the Directors consider that the Existing Annual Caps do not reflect the inflation in the PRC and the recent increase in market price of raw materials. The Directors thereby consider that the upward adjustment of the Existing Annual Caps is well warranted to ensure keeping production costs at a minimum, obtaining reliable supply of raw materials and maximizing its production capacity to achieve greatest profits for the Group.

As agreed under the Renewed Salt Purchase Agreement, the price of purchases by the Group will be negotiated on an arm's length basis, with reference to the prevailing market price and on no less favourable terms than that Dongying Macrolink Salt offered to independent third parties. The Group is not obligated to purchase raw materials from Dongying Macrolink Salt and would only do so if it is in the commercial interests of the Group. The Group is free to source its raw materials from independent third parties which have historically supplied to the Group and there is no restriction in respect of the same under the Renewed Salt Purchase Agreement.

The Directors (including the independent non-executive Directors) consider that the Continuing Connected Transactions have been entered into in the ordinary course of business of the Group and the terms of the Renewed Salt Purchase Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole; and the Revised Annual Caps are fair and reasonable.

IMPLICATIONS OF THE LISTING RULES

Dongying Macrolink Salt is an associate of Mr. Fu Kwan, an executive Director, and Macrolink International, the controlling shareholder of the Company. Hence, the Renewed Salt Purchase Agreement and the Revised Annual Caps constitute continuing connected transactions under the Listing Rules.

As each of the applicable percentage ratios set out in the Listing Rules for determining the value for the Continuing Connected Transactions is less than 5%, the Continuing Connected Transactions are only subject to reporting and announcement requirements and are exempt from independent shareholders' approval requirement.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“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(s)”	has the meaning ascribed thereto under the Listing Rules
“Continuing Connected Transactions”	the transactions between the Group and Dongying Macrolink Salt pursuant to Renewed Salt Purchase Agreement
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules

“Director(s)”	the director(s) of the Company
“Dongying Macrolink Salt”	東營新華聯鹽業有限公司 (Dongying Macrolink Salt Co., Ltd.), a limited liability company established in the PRC, of which 60% is indirectly owned by the Company and 40% is directly owned by Macrolink Investment
“Dongyue Fluorine Silicone”	山東東岳氟硅材料有限公司 (Shandong Dongyue Fluo-Silicon Materials Co., Ltd.), a sino-foreign joint venture company established in the PRC
“Existing Annual Caps”	the previously obtained annual caps of the transactions contemplated under the Existing Salt Purchase Agreement for the three years ended 31 December 2010
“Existing Salt Purchase Agreement”	Framework Agreement dated 3 May 2008 entered into between Dongying Macrolink Salt and Dongyue Fluorine Silicone in relation to the supply of industrial salt from Dongying Macrolink Salt
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macrolink Investment”	新華聯產業投資有限公司 (Macro-Link Asset Investment Co., Ltd), a limited liability company established in the PRC, which is held as to 80% by 新華聯控股有限公司 (Macro-Link Holding Co. Ltd). Macro-Link Holding Co. Ltd. is a limited liability company established in the PRC, which is held as to 42.5% by Mr. Fu Kwan
“Macrolink International”	Macro-Link International Investment Co., Ltd. (新華聯國際投資有限公司), a company incorporated in the British Virgin Islands, which is solely owned by Macro-Link Sdn. Bhd., a limited liability company incorporated in Malaysia, which is held as to 40% by Mr. Fu Kwan
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Revised Annual Caps”	the revised annual caps for the Continuing Connected Transactions for the three years ending 31 December 2013

“Renewed Salt Purchase Agreement”	Agreement dated 31 December 2010 entered into between Dongying Macrolink Salt and Dongyue Fluorine Silicone in relation to the supply of industrial salt for a term up to 31 December 2013
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“HK\$”	the lawful currency of Hong Kong
“%”	per cent

By order of the Board
Dongyue Group Limited
Zhang Jianhong
Chairman

PRC, 31 December 2010

As at the date of this announcement, the Directors are Mr. Zhang Jianhong, Mr. Fu Kwan, Mr. Liu Chuanqi, Mr. Cui Tongzheng, Mr. Yan Jianhua and Mr. Zhang Jian as executive Directors, and Mr. Yue Run Dong, Mr. Liu Yi and Mr. Ting Leung Huel, Stephen as independent non-executive Directors.