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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTION IN RELATION TO FINANCIAL SERVICES MASTER AGREEMENT

RENEWED FINANCIAL SERVICES MASTER AGREEMENT

Reference is made to the announcements of the Company dated 18 December 2017 and 26 July 2018 in relation to the continuing connected transactions between the Company and Macro-link Finance under the Financial Services Master Agreement.

As the Financial Services Master Agreement has expired on 25 July 2019, the Company and Macro-link Finance entered into the Renewed Financial Services Master Agreement on 25 July 2019 (after trading hours), pursuant to which Marco-link Finance has agreed to continue to provide the Group with Deposit Services and Loan Services on normal commercial terms in its ordinary and usual course of business for a term of one year from 26 July 2019 to 25 July 2020.

LISTING RULES IMPLICATIONS

Macro-link Finance is a connected person of the Company. Therefore, the entering into of the Renewed Financial Services Master Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Deposit Services

As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated with reference to the Annual Cap exceed(s) 0.1% but is/are less than 5%, the Deposit Services contemplated under the Renewed Financial Services Master Agreement are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Loan Services

The Loan Services to be provided by Marco-link Finance to the Group under the Renewed Financial Services Master Agreement will constitute financial assistance to be received by the Group from a connected person. As the Loan Services will be conducted on normal commercial terms which are similar to or more favourable than those offered by major commercial banks in the PRC for comparable services, and no security over the assets of the Group will be granted to Marco-link Finance in respect of the Loan Services, the Loan Services will be fully exempt under Rule 14A.90 of the Listing Rules from all reporting, announcement and independent shareholders' approval requirements.

INTRODUCTION

Reference is made to the announcements of the Company dated 18 December 2017 and 26 July 2019 in relation to the continuing connected transactions between the Company and Macro-link Finance under the Financial Services Master Agreement.

As the Financial Services Master Agreement has expired on 25 July 2019, the Company and Macro-link Finance entered into the Renewed Financial Services Master Agreement on 25 July 2019 (after trading hours), pursuant to which Marco-link Finance has agreed to continue to provide the Group with Deposit Services and Loan Services on normal commercial terms in its ordinary and usual course of business for a term of one year from 26 July 2019 to 25 July 2020.

THE RENEWED FINANCIAL SERVICES MASTER AGREEMENT

Set out below are the major terms of the Renewed Financial Services Master Agreement:

Date

25 July 2019 (after trading hours)

Parties

- (i) the Company; and
- (ii) Marco-link Finance.

Term

The term of the Renewed Financial Services Master Agreement shall commence on 26 July 2019 and shall continue up to and including 25 July 2020.

Financial services to be provided by Marco-link Finance to the Group

Pursuant to the Renewed Financial Services Master Agreement, Marco-link Finance has agreed to continue to provide the Group with the following financial services:

Deposit services

Marco-link Finance has agreed to accept deposits from the Group (the **Deposit Services**). Pursuant to the Renewed Financial Services Master Agreement, the rate at which interest will accrue on any deposit placed and maintained by the Group with Marco-link Finance under the Renewed Financial Services Master Agreement shall (i) be determined based on the interest rate prescribed by the People's Bank of China from time to time for the same type of deposit; and (ii) shall not be lower than the prevailing interest rates offered by major commercial banks in the PRC for the same type of deposit.

Loan services

Marco-link Finance has agreed to provide loans and borrowings to the Group (the **Loan Services**). Pursuant to the Renewed Financial Services Master Agreement, (i) the interest rate for loans to be provided by Marco-link Finance to the Group will not be higher than the prevailing interest rates offered by major commercial banks in the PRC for the same type of loan; and (ii) the loans and borrowings to be provided by Marco-link Finance will not be secured by the assets of the Group.

Annual cap for Deposit Services

Pursuant to the Renewed Financial Services Master Agreement, the cumulative daily outstanding balance of deposits placed and maintained by the Group with Marco-link Finance (including any interest accrued thereon) during the term of the Renewed Financial Services Master Agreement shall not exceed RMB410 million (for illustration purpose only, equivalent to approximately HK\$467 million using the exchange rate of RMB1:HK\$1.14) (the **Annual Cap**).

In determining the Annual Cap, the Board has considered (i) the Group's historical maximum daily outstanding balance of deposits of RMB480,130,000 placed and maintained by the Group with Macro-link Finance during the period between 26 July 2018 and 25 July 2019 pursuant to the Financial Services Master Agreement, which has not fully utilised the annual cap of RMB500 million under the Financial Services Master Agreement; (ii) the existing bank balance and cash of the Group; and (iii) the expected operating cash flow and financial needs of the Group for the term of the Renewed Financial Services Master Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE RENEWED FINANCIAL SERVICES MASTER AGREEMENT

The maintenance of deposits and the obtaining of loans by the Group with/from Macro-link Finance under the Financial Services Master Agreement as part of its treasury activities has been an attractive means for the Group to utilize its surplus cash to generate a reasonable return, obtain financings at a lower financing cost and improve the overall efficiency of the use of its funds. Under the Renewed Financial Services Master Agreement, Macro-link Finance will continue to provide Deposit Services and Loan Services to the Group on terms comparable to or better than terms provided by other major commercial banks in the PRC for similar services.

For the avoidance of doubt, the Renewed Financial Services Master Agreement does not

preclude the Group from obtaining deposit services, loan services or other financial services from other financial institutions. The Group may at its sole and absolute discretion select other commercial banks or financial institutions in the PRC or elsewhere as its financial services providers as it thinks fit and appropriate for the benefit of the Group.

The Directors (including the independent non-executive Directors) consider that the Renewed Financial Services Master Agreement was entered into in the ordinary and usual course of business of the Group, and the terms of the Renewed Financial Services Master Agreement (including the Annual Cap), which were determined after arm's length negotiations among the parties thereto, are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP

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

INFORMATION ON MACRO-LINK FINANCE

Macro-link Finance is a company incorporated in the PRC with limited liability. Macro-link Finance, as a non-bank financial institution approved by the China Banking Regulatory Commission, is principally engaged in the provision of financial services. Macro-link Finance is a wholly-owned subsidiary of Macro-link Holdings Limited, which indirectly holds approximately 29.20% of the issued share capital of the Company. In addition, Macro-link Holdings Limited is indirectly controlled by Mr. Fu Kwan (an executive Director). Therefore, Macro-link Finance is a connected person of the Company.

LISTING RULES IMPLICATIONS

As stated above, Macro-link Finance is a connected person of the Company. Therefore, the entering into of the Renewed Financial Services Master Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Deposit Services

As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated with reference to the Annual Cap exceed(s) 0.1% but is/are less than 5%, the Deposit Services contemplated under the Renewed Financial Services Master Agreement are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Loan Services

The Loan Services to be provided by Marco-link Finance to the Group under the Renewed Financial Services Master Agreement will constitute financial assistance to be received by the Group from a connected person. As the Loan Services will be conducted on normal commercial

terms which are similar to or more favourable than those offered by major commercial banks in the PRC for comparable services, and no security over the assets of the Group will be granted to Marco-link Finance in respect of the Loan Services, the Loan Services will be fully exempt under Rule 14A.90 of the Listing Rules from all reporting, announcement and independent shareholders' approval requirements.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, apart from Mr. Fu Kwan who has abstained from voting on the Board resolutions approving the Renewed Financial Services Master Agreement and the transactions contemplated thereunder in view of his interest in Macro-link Finance, none of the Directors was in any way materially interested in the Renewed Financial Services Master Agreement and the transactions contemplated thereunder. Nevertheless, Mr. Zhang Bishu has also abstained from voting on the Board resolutions approving the Renewed Financial Services Master Agreement and the transactions contemplated thereunder by virtue of his directorship in Macro-link Finance.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Dongyue Group Limited (東岳集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 189)
“Director(s)”	the director(s) of the Company
“Financial Services Master Agreement”	an agreement dated 18 December 2017, as amended (in respect of duration and annual cap) by a supplemental agreement dated 26 July 2018, entered into between the Company and Macro-link Finance in relation to the provision of financial services by Macro-link Finance to the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Macro-link Finance”	Macro-link Holding Group Finance Company Limited, a company incorporated in the PRC with limited liability and a connected person of the Company

“PRC”	the People’s Republic of China, excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“Renewed Financial Services Master Agreement”	an agreement dated 25 July 2019 and entered into between the Company and Macro-link Finance in relation to the provision of financial services by Macro-link Finance to the Company for the period from 26 July 2019 to 25 July 2020
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	registered holders of the Shares from time to time
“Shares”	ordinary shares of HK\$0.10 each of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

In this announcement, unless the context otherwise requires, the terms “connected person(s)”, “connected transaction(s)” and “subsidiary(ies)” shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

By Order of the Board
Dongyue Group Limited
Zhang Jianhong
Chairman

The PRC, 25 July 2019

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.