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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)

CONNECTED TRANSACTION IN RELATION TO LOAN FRAMEWORK AGREEMENT

THE LOAN FRAMEWORK AGREEMENT

On 28 December 2017 (after trading hours), Shandong Huaxia (an indirect wholly-owned subsidiary of the Company), Macro-Link (a connected person of the Company) and the Joint Venture (a connected person of the Company) entered into the Loan Framework Agreement, pursuant to which each of Shandong Huaxia and Macro-Link agreed to provide unsecured loan facilities in an aggregate amount of not more than RMB200,000,000 (for illustration purpose only, equivalent to HK\$238,948,600) to the Joint Venture.

LISTING RULES IMPLICATIONS

As stated in the Announcements, Macro-Link and the Joint Venture are connected persons of the Company.

The Shandong Huaxia Loan constitutes a connected transaction of the Company, being financial assistance given by the Group to a connected person of the Company. As one or more of the applicable percentage ratios (as defined under the Listing Rules) exceed(s) 0.1% but is/are less than 5%, the provision of the Shandong Huaxia Loan is subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Macro-Link Loan constitutes a connected transaction of the Company, being financial assistance given by a connected person of the Company to the Group. As the Directors (including the independent non-executive Directors) consider the Macro-Link Loan to be on normal commercial terms, and as the Macro-Link Loan will not be secured by the assets of the Group, it is fully exempt from the reporting, announcement and independent Shareholders' approval requirement pursuant to Rule 14A.90 of the Listing Rules.

INTRODUCTION

Reference is made to the announcements of the Company dated 18 December 2017 and 22 December 2017 in relation to the formation of the Joint Venture and the announcement of the Company dated 28 December 2017 in relation to the disposal of assets to the Joint Venture (the **Announcements**).

The Board is pleased to announce that on 28 December 2017 (after trading hours), Shandong Huaxia (an indirect wholly-owned subsidiary of the Company), Macro-Link (a connected person of the Company) and the Joint Venture (a connected person of the Company) entered into the Loan Framework Agreement, pursuant to which each of Shandong Huaxia and Macro-Link agreed to provide unsecured loan facilities in an aggregate amount of not more than RMB200,000,000 (for illustration purpose only, equivalent to HK\$238,948,600) to the Joint Venture.

THE LOAN FRAMEWORK AGREEMENT

The principal terms of the Loan Framework Agreement are set out below.

Date

28 December 2017

Parties

- (i) Shandong Huaxia (as one of the lenders);
- (ii) Macro-Link (as one of the lenders); and
- (iii) the Joint Venture.

Provision of unsecured loan facilities to the Joint Venture

Pursuant to the Loan Framework Agreement, (i) Shandong Huaxia has agreed to provide unsecured loan facilities in the aggregate amount of not more than RMB200,000,000 (for illustration purpose only, equivalent to approximately HK\$238,948,600) to the Joint Venture; and (ii) Macro-Link has also agreed to provide unsecured loan facilities in the aggregate amount of not more than RMB200,000,000 (for illustration purpose only, equivalent to approximately HK\$238,948,600) to the Joint Venture.

The Loan Framework Agreement is a framework agreement which provides the principles, mechanisms and terms and conditions for the provision of loan facilities to the Joint Venture by either Shandong Huaxia or Macro-Link. Individual loan agreement will be entered into between the relevant parties in relation to each individual loan to be made under the Loan Framework Agreement.

Interest rate and payment

The interest rate for the individual loans under the Loan Framework Agreement shall be determined with reference to the prevailing benchmark interest rate for bank loans in the PRC as promulgated by the People's Bank of China from time to time. The interest payments shall be payable on a quarterly basis, and the Joint Venture shall pay the accrued interest within five business days after the end of the quarter.

Repayment date

The repayment date shall not be later than three years from the date of the Loan Framework Agreement. The Joint Venture may make an early repayment of the loan facilities pursuant to the Loan Framework Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LOAN FRAMEWORK AGREEMENT

As disclosed in the Announcements, the Group has been conducting and has obtained achievements in two of its key research and development projects on (i) fuel cell membrane and (ii) chlor-alkali ion membrane, has set up the Joint Venture and has injected the Dongyue Polymer Assets (as defined in the Announcements) and the Shandong Huaxia Assets (as defined in the Announcements) into the Joint Venture. As such, the provision of loan facilities to the Joint Venture is aimed at providing sufficient funding and resources to the Joint Venture as general working capital for its development into a suitable platform for the furtherance of the research and development and subsequent sale of the fuel cell and chlor-alkali products.

The Directors (including the independent non-executive Directors) consider the terms of the Loan Framework Agreement, which were determined after arm's length negotiations among the parties thereto, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP AND SHANDONG HUAXIA

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.

Shandong Huaxia is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in production and sale of hydrochloric acid, polytetrafluoroethylene and vinylidene fluoride, production and sale of polyvinylidene fluoride, fluororubber, fluorinated ethylene propylene, perfluorosulfonic acid and perfluorooctanoic acid and import and export of goods.

INFORMATION OF MACRO-LINK

Macro-link is a company incorporated in the PRC with limited liability which is principally engaged in catering and accommodation and real estate development. Macro-Link International Investment Co., Ltd., an indirect wholly-owned subsidiary of Macro-

Link, is a substantial Shareholder holding approximately 29.20% of the issued share capital of the Company. In addition, Marco-link is an associate of Mr. Fu Kwan (an executive Director) as it is indirectly controlled by Mr. Fu Kwan. Therefore, Macro-link is a connected person of the Company.

INFORMATION ON THE JOINT VENTURE

The Joint Venture is a company incorporated in the PRC with limited liability which is principally engaged in the business of production and sale of hydrogen energy materials, hydrogen membrane materials, lithium battery, packaging materials and fluoropolymers fiber.

As stated in the Announcements, Huoer Guosi (as defined in the Announcements) and Macro-Link are connected persons of the Company. The Joint Venture is held as to 40% by Shandong Huaxia, 30% by Huoer Guosi and 30% by Macro-Link, and is accounted for as a subsidiary of the Company. Therefore, pursuant to Rule 14A.16 of the Listing Rules, the Joint Venture is a connected subsidiary of the Company as it is a non-wholly owned subsidiary of the Company in which each of Huoer Guosi and Macro-Link can exercise or control the exercise of 10% or more of the voting power at the Joint Venture's general meeting.

LISTING RULES IMPLICATIONS

As stated above, the Joint Venture is a connected person of the Company. Therefore, the provision of the Shandong Huaxia Loan constitutes a connected transaction of the Company, being financial assistance given by the Group to a connected person of the Company. As one or more of the applicable percentage ratios (as defined under the Listing Rules) exceed(s) 0.1% but is/are less than 5%, the provision of the Shandong Huaxia Loan is subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As stated above, Macro-Link is a connected person of the Company. Therefore, the Macro-Link Loan constitutes a connected transaction of the Company, being financial assistance given by a connected person of the Company to the Group. As the Directors (including the independent non-executive Directors) consider the Macro-Link Loan to be on normal commercial terms, and as the Marco-Link Loan will not be secured by the assets of the Group, it is fully exempt from the reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, apart from Mr. Fu Kwan, Mr. Zhang Jianhong, Mr. Zhang Zhefeng and Mr. Zhang Bishu who have abstained from voting on the Board resolutions approving the transactions contemplated under the Loan Framework Agreement in view of their respective interests in the Joint Venture as disclosed in the Announcements, no other Directors were in any way materially interested in and therefore have abstained from voting on the Board resolutions approving the transactions contemplated under the Loan Framework Agreement.

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
“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 (as amended from time to time)
“Loan Framework Agreement”	a loan framework agreement dated 28 December 2017 and entered into between Shandong Huaxia (as one of the lenders), Macro-Link (as one of the lenders) and the Joint Venture (as borrower) in connection with the provision of unsecured loan facilities to the Joint Venture
“Macro-Link”	Macro-link Holdings Limited (新華聯控股有限公司), a company incorporated in the PRC with limited liability and a connected person of the Company
“Macro-Link Loan”	unsecured loan facilities in the aggregate amount of not more than RMB200,000,000 from Macro-Link to the Joint Venture pursuant to the Loan Framework Agreement
“PRC”	the People’s Republic of China, excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“Joint Venture”	Shandong Dongyue Future Hydrogen Energy Materials Co., Ltd. (山東東岳未來氫能材料有限公司), a company incorporated in the PRC with limited liability and a connected person of the Company
“RMB”	Renminbi, the lawful currency of the PRC

“Shandong Huaxia”	Shandong Huaxia Shenzhou New Materials Co., Ltd. (山東華夏神州新材料有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Shandong Huaxia Loan”	unsecured loan facilities in the aggregate amount of not more than RMB200,000,000 from Shandong Huaxia to the Joint Venture pursuant to the Loan Framework Agreement
“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 “associate(s)”, “close associate(s)”, “connected person(s)”, “connected transaction(s)”, “controlling shareholder(s)”, “subsidiary(ies)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

For the purpose of this announcement, unless the context otherwise requires, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB0.837 to HK\$1.00. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ or RMB have been, could have been or may be converted at such or any other rate or at all.

By Order of the Board
Dongyue Group Limited
Zhang Jianhong
Chairman

The PRC, 28 December 2017

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.