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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 announcement of the Company dated 25 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 is expiring on 25 July 2020, Dongyue Polymers (a wholly-owned subsidiary of the Company) and Macro-link Finance entered into the Renewed Financial Services Master Agreement on 22 July 2020 (after trading hours), pursuant to which Macro-link Finance has agreed to continue to provide Dongyue Polymers with deposit services on normal commercial terms in its ordinary and usual course of business for a term of one year from 22 July 2020 to 21 July 2021.

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.

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.

INTRODUCTION

Reference is made to the announcement of the Company dated 25 July 2019 in relation to the continuing connected transactions between the Company and Macro-link Finance under the Financial Services Master Agreement. Pursuant to the Financial Services Master Agreement, Marco-link Finance agreed to provide the Group with, amongst others, deposit 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.

During the period between June and July 2020, Macro-link Finance, according to the Group's withdrawal requests, has returned deposits and accrued interest in a total amount of approximately RMB72,297,000 to the Group. As at 22 July 2020, the outstanding balance of deposits placed and maintained by the Group, via Dongyue Polymers (a wholly-owned subsidiary of the Company), with Macro-link Finance, together with accrued interest, amounted to approximately RMB320,000,000. As the Financial Services Master Agreement is expiring on 25 July 2020, Dongyue Polymers and Macro-link Finance entered into the Renewed Financial Services Master Agreement on 22 July 2020 (after trading hours), pursuant to which Marco-link Finance has agreed to continue to provide Dongyue Polymers with deposit services on normal commercial terms in its ordinary and usual course of business for a term of one year from 22 July 2020 to 21 July 2021.

THE RENEWED FINANCIAL SERVICES MASTER AGREEMENT

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

Date

22 July 2020 (after trading hours)

Parties

- (i) Dongyue Polymers; and
- (ii) Marco-link Finance.

Term

The term of the Renewed Financial Services Master Agreement shall commence on 22 July 2020 and shall continue up to and including 21 July 2021.

Deposit 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 accept deposits (the “**Deposits**”) from Dongyue Polymers. Pursuant to the Renewed Financial Services Master Agreement, the rate at which interest will accrue on the Deposits placed and maintained by Dongyue Polymers 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.

The Company noted the recent news that there is uncertainty about the financial conditions of Macro-link Holdings Limited (“**Macro-link Holdings**”), the holding company of Macro-link Finance, due to the impact of the outbreak of coronavirus (COVID-2019). According to the Company’s understanding, Macro-link Holdings is taking measures, such as introducing strategic investors and disposing of assets, to improve its financial conditions. Accordingly, in order to improve the security level of the Deposits and also as an enhanced security arrangement for the Renewed Financial Services Master Agreement (the “**Security Arrangement**”), on the same day of the Renewed Financial Services Master Agreement: (i) an associate of the ultimate beneficial owner of Macro-link Holdings (the “**Pledgor**”), Macro-link Finance and Dongyue Polymers entered into a pledge agreement, pursuant to which the Pledgor has agreed to pledge shares which as at the date of this announcement represent 12.70% equity interest (the “**Pledged Shares**”) in a limited liability company incorporated in the PRC (the “**Pledged Target Company**”) which is principally engaged in the production and sales of chemical products as collateral for securing the full principal of the Deposits and all interest payable from time to time; and (ii) Dongyue Polymers and Macro-link Holdings entered into a guarantee agreement, pursuant to which Macro-link Holdings has agreed to provide guarantee in favour of the Company in respect of the full principal of the Deposits and all interest payable from time to time.

Annual cap

Pursuant to the Renewed Financial Services Master Agreement, the cumulative daily outstanding balance of deposits placed and maintained by Dongyue Polymers with Macro-link Finance (including any interest accrued thereon) during the term of the Renewed Financial Services Master Agreement shall not exceed RMB330,000,000 (for illustration purpose only, equivalent to approximately HK\$366,300,000 using the exchange rate of RMB1:HK\$1.11) (the “**Annual Cap**”).

In determining the Annual Cap, the Board has considered (i) that the Group has withdrawn deposits and accrued interest in a total amount of approximately RMB72,297,000 from Macro-link Finance during the period between June and July 2020 according to its capital needs, and as at the expiry date of the Financial Services Master Agreement, the outstanding balance of deposits placed and maintained by Dongyue Polymers with Macro-link Finance, together with accrued interest, was approximately RMB320,000,000 (the “**Outstanding Balance**”); (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 the Deposits by Dongyue Polymers with Macro-link Finance under the Renewed Financial Services Master Agreement as part of the Group’s treasury activities would allow the Group to improve the overall efficiency of the use of its working capital. Under the Renewed Financial Services Master Agreement, Macro-link Finance will continue to provide deposit services to Dongyue Polymers on terms comparable to terms provided by other major

commercial banks in the PRC for similar services. In addition, based on the valuation of the Pledged Target Company recognized by independent institutional and other financial investors, the value of the Pledged Shares is currently higher than the Outstanding Balance and the Annual Cap. The Pledged Target Company is engaged in the production and sales of downstream chemical products which has synergies with the Group and its principal business is related to that of the Group. It is therefore expected that the Security Arrangement will help improve the security level of the Deposits and protect the interests of the Group.

For the avoidance of doubt, the Renewed Financial Services Master Agreement does not preclude the Group from obtaining deposit 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 but excluding Mr. Fu Kwan and Mr. Zhang Bishu) 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 and the Security Arrangement), 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 and Insurance Regulatory Commission, is principally engaged in the provision of financial services. Macro-link Finance is a wholly-owned subsidiary of Macro-link Holdings, which indirectly holds approximately 29.20% of the issued share capital of the Company. In addition, Macro-link Holdings 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.

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.

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.

As at the date of this announcement, the Group has no other connected transaction with Macro-link Holdings and its subsidiaries.

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
“Dongyue Polymers”	Shandong Dongyue Polymers Co., Ltd. (山東東岳高分子材料有限公司), a wholly-owned subsidiary of the Company
“Financial Services Master Agreement”	an agreement dated 25 July 2019 entered into between the Company and Macro-link Finance in relation to the provision of financial services by Macro-link Finance to the Group
“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 22 July 2020 and entered into between Dongyue Polymers and Macro-link Finance in relation to the provision of deposit services by Macro-link Finance to Dongyue Polymers for the period from 22 July 2020 to 21 July 2021
“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)”, “associate(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, 22 July 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.