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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)

CONTINUING CONNECTED TRANSACTION IN RELATION TO AMENDED FINANCIAL SERVICES MASTER AGREEMENT

Reference is made to the announcement of the Company dated 9 July 2021 in relation to the continuing connected transactions between Dongyue Polymers (an indirect wholly-owned subsidiary of the Company) and Macro-link Finance under the Existing Financial Services Master Agreement. The Existing Financial Services Master Agreement is due to expire on 21 July 2022.

On 12 May 2022 (after trading hours), the Supplemental Agreement was signed to amend the Existing Financial Services Master Agreement, pursuant to which the term of the agreement was extended to expire on 21 July 2024.

LISTING RULES IMPLICATIONS

Macro-link Finance is a connected person of the Company. Therefore, the Amended 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 Amended 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 9 July 2021 in relation to the continuing connected transactions between Dongyue Polymers (an indirect wholly-owned subsidiary of the Company) and Macro-link Finance under the Existing Financial Services Master Agreement.

Pursuant to the Existing Financial Services Master Agreement, Marco-link Finance agreed 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 2021 to 21 July 2022. On 12 May 2022 (after trading hours), Supplemental Agreement was signed to amend the Existing Financial Services Master Agreement, pursuant to which the term of the agreement was extended to expire on 21 July 2024.

As at 12 May 2022, the outstanding balance of deposits placed and maintained by Dongyue Polymers with Macro-link Finance (including interest accrued thereon) amounted to approximately RMB312.7 million.

THE AMENDED FINANCIAL SERVICES MASTER AGREEMENT

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

Date

9 July 2021, and amended by the Supplemental Agreement dated 12 May 2022

Parties

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

Term

The term of the Amended Financial Services Master Agreement commenced on 22 July 2021 and shall continue up to and including 21 July 2024 as extended by the Supplemental Agreement.

Deposit services to be provided by Marco-link Finance

Pursuant to the Amended Financial Services Master Agreement, Marco-link Finance has agreed to continue to accept deposits (the “**Deposits**”) from Dongyue Polymers. Pursuant to the Amended 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 Amended Financial Services Master Agreement shall not be lower than the prevailing interest rates offered by major commercial banks in the PRC for the same type of deposit for the same period.

Security arrangement

In relation to the Existing Financial Services Master Agreement, the then pledgor provided a share pledge and Macro-link Holdings Limited (the holding company of Macro-link Finance) (“**Macro-link Holdings**”) provided guarantee for securing the full principal of the Deposits and all interest payable under the Existing Financial Services Master Agreement from time to time.

As an enhanced security arrangement for the Amended Financial Services Master Agreement (the “**Security Arrangement**”), (i) the Pledgor, Macro-link Finance and Dongyue Polymers had entered into a new pledge agreement (replacing the original share pledge), pursuant to which the Pledgor agreed to pledge shares representing approximately 11.91% equity interest in Hunan Hualian Porcelain Industry Co., Ltd. (湖南華聯瓷業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 001216.SZ) (the “**Pledged Target Company**”) that is principally engaged in the research, development, manufacturing and sales of ceramic products (the “**Pledged Shares**”) as collateral for securing the full principal of the Deposits and all interest payable from time to time; and (ii) Macro-link Holdings had executed a new guarantee agreement (replacing the original guarantee) in respect of the full principal of the Deposits and all interest payable from time to time.

Annual cap

Pursuant to the Amended Financial Services Master Agreement, the cumulative daily outstanding balance of Deposits placed and maintained by Dongyue Polymers with Marco-link Finance (including any interest accrued thereon) for each of the period from 22 July 2021 to 21 July 2022, 22 July 2022 to 21 July 2023 and 22 July 2023 to 21 July 2024 shall not exceed RMB320,000,000 (for illustration purpose only, equivalent to approximately HK\$374,400,000 using the exchange rate of RMB1: HK\$1.17) (the “**Annual Cap**”).

In determining the Annual Cap, the Board has considered (i) that as at the date of the Amended Financial Services Master Agreement, the outstanding balance of Deposits placed and maintained by Dongyue Polymers with Macro-link Finance (including interest accrued thereon) was approximately RMB312.7 million (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 Amended Financial Services Master Agreement.

REASONS FOR AND BENEFITS OF THE AMENDED FINANCIAL SERVICES MASTER AGREEMENT

The maintenance of the Deposits by Dongyue Polymers with Macro-link Finance under the Amended 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 Amended 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 closing price of shares of the Pledged Target Company as quoted on the Shenzhen Stock Exchange on the date of this announcement, the value of the Pledged Shares is currently higher than the Outstanding Balance and the Annual Cap. The Pledged Target Company is principally engaged in the research, development, manufacturing and sales of ceramic products and its shares are listed on the Shenzhen Stock Exchange. The Company therefore considers that the Security Arrangement will continue to enhance the security level of the Deposits and protect the interests of the Group.

For the avoidance of doubt, the Amended 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 Amended Financial Services Master Agreement was entered into in the ordinary and usual course of business of the Group, and the terms of the Amended Financial Services Master Agreement, the Annual Cap and the Security Arrangement, 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

The Group is principally engaged in (i) manufacturing and sale of fluoropolymers, organic silicone, refrigerants 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 23.12% 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 Amended 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 Amended 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 Amended 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 Amended Financial Services Master Agreement and the transactions contemplated thereunder. Nevertheless, Mr. Zhang Bishu has also abstained from voting on the Board resolutions approving the Amended Financial Services Master Agreement and the transactions contemplated thereunder by virtue of his directorship in Macro-link Finance.

DEFINITIONS

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

“Amended Financial Services Master Agreement”	the Existing Financial Services Master Agreement as amended by the Supplemental Agreement
“Board”	the board of Directors
“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 Main Board of the Stock Exchange
“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), an indirect wholly-owned subsidiary of the Company
“Existing Financial Services Master Agreement”	the agreement dated 9 July 2021 entered into between Dongyue Polymers and Macro-link Finance in relation to the provision of financial services by Macro-link Finance to Dongyue Polymers
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Pledgor”	an associate of the ultimate beneficial owner of Macro-link Holdings Limited (the holding company of Macro-link Finance)

“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the holder(s) of the Shares
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 12 May 2021 entered into between Dongyue Polymers and Macro-link Finance in relation to the amendment of the term of the Existing Financial Services Master Agreement
“%”	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.

By Order of the Board
Dongyue Group Limited
Zhang Jianhong
Chairman

The PRC, 12 May 2022

As at the date of this announcement, the Directors are Mr. Zhang Jianhong, Mr. Fu Kwan, Mr. Wang Weidong, Mr. Zhang Zhefeng, Mr. Zhang Bishu and Mr. Zhang Jian as executive Directors, and Mr. Ting Leung Huel, Stephen, Mr. Yang Xiaoyong and Mr. Ma Zhizhong as independent non-executive Directors.