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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)

REVISION OF ANNUAL CAP OF CONTINUING CONNECTED TRANSACTION

REVISION OF ORIGINAL ANNUAL CAP

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

The Board expects that the Original Annual Cap will not be sufficient for the Deposit Services provided by Macro-link Finance to the Company for the period commencing on 18 December 2017 and expiring on 17 December 2018. Therefore, on 26 July 2018 (after trading hours), the Company and Macro-link Finance entered into the Supplemental Financial Services Master Agreement, pursuant to which the parties have agreed to, inter alia, revise the Original Annual Cap to the Revised Annual Cap in an amount of RMB500 million. The parties have also agreed to revise the duration of the agreement to the period commencing 26 July 2018 and ending 25 July 2019 to which the Revised Annual Cap will apply.

LISTING RULES IMPLICATIONS

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

Pursuant to Rule 14A.54 of the Listing Rules, since the Company proposes to, inter alia, revise the Original Annual Cap of the Financial Services Master Agreement which constitutes a material change to its terms by way of the Supplemental Financial Services Master Agreement, the Company is required to re-comply with the applicable requirements 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 Revised Annual Cap exceed(s) 0.1% but is/are less than 5%, the Supplemental Financial Services Master Agreement and the Revised Annual Cap 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 18 December 2017 in relation to the continuing connected transactions between the Company and Macro-link Finance under the Financial Services Master Agreement.

The Board expects that the Original Annual Cap will not be sufficient for the Deposit Services provided by Macro-link Finance to the Company for the period commencing on 18 December 2017 and expiring on 17 December 2018. Therefore, on 26 July 2018 (after trading hours), the Company and Macro-link Finance entered into the Supplemental Financial Services Master Agreement, pursuant to which the parties have agreed to, inter alia, revise the Original Annual Cap to the Revised Annual Cap in an amount of RMB500 million. The parties have also agreed to revise the duration of the agreement to the period commencing 26 July 2018 and ending 25 July 2019 to which the Revised Annual Cap will apply.

REVISION OF ORIGINAL ANNUAL CAP

A. Original Annual Cap and Revised Annual Cap

The Original Annual Cap and the Revised Annual Cap are set out below:

	For the term commencing on 18 December 2017 and expiring on 17 December 2018
Original Annual Cap	RMB 380 million (for illustration purpose only, equivalent to HK\$440.8 million using the exchange rate of RMB1: HK\$1.16)
	For the term commencing on 26 July 2018 and expiring on 25 July 2019
Revised Annual Cap	RMB 500 million (for illustration purpose only, equivalent to HK\$580 million using the exchange rate of RMB1: HK\$1.16)

In determining the Revised Annual Cap, the Board has considered the Group's historical maximum daily outstanding balance of deposits placed with Macro-link Finance pursuant to the Financial Services Master Agreement, the existing bank balance and cash of the Group and the operating cash flow and financial needs of the Group for the remaining term of the Financial Services Master Agreement.

Pursuant to the Supplemental Financial Services Master Agreement, the term of the Revised Annual Cap has been revised to a period commencing on 26 July 2018 and

expiring on 25 July 2019. Save for the revision of the Original Annual Cap to the Revised Annual Cap and the term of the Revised Annual Cap, the terms and conditions under the Financial Services Master Agreement remain unchanged and in effect.

B. Historical figures

The historical figures relating to the provision of Deposit Services during the financial year ended 31 December 2017 and as at 25 July 2018 were as follows:

	Balance of the deposits placed with Macro-link Finance as at
31 December 2017 (audited)	approximately RMB375,088,100
25 July 2018 (unaudited)	approximately RMB370,405,600

The Board confirms that based on the Group's latest unaudited management accounts and operational data, the Original Annual Cap under the Financial Services Master Agreement has not yet been exceeded as at the date of this announcement.

REASONS FOR AND BENEFITS OF THE REVISION OF ORIGINAL ANNUAL CAP

The maintenance of deposits by the Group as part of its treasury activities with Macro-link Finance under the Financial Services Master Agreement has been an attractive means for the Group to utilize its surplus cash to generate a reasonable return. Macro-link Finance has provided Deposit Services to the Group on terms comparable or better to other major commercial banks in the PRC for similar services and through the utilization of such Deposit Services, the Group has been in a position to improve the overall efficiency of the use of its funds for a reasonable return. Accordingly, the Group expects to increase the amount of deposits to be placed with Macro-link Finance for the coming 12 months. Given that the Original Annual Cap will not be sufficient to cater for the increased amount of deposits expected to be placed by the Group, the Original Annual Cap needs to be revised upwards and the parties see fit to enter into the Supplemental Financial Services Master Agreement to provide for the Revised Annual Cap.

The Directors (including the independent non-executive Directors) consider that the terms of the Supplemental Financial Services Master Agreement and the Revised Annual Cap are fair and reasonable and were entered into in the ordinary and usual course of business of the Group, on normal commercial terms 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 Supplemental Financial Services Master Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, since the Company proposes to, inter alia, revise the Original Annual Cap of the Financial Services Master Agreement which constitutes a material change to its terms by way of the Supplemental Financial Services Master Agreement, the Company is required to re-comply with the applicable requirements 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 Revised Annual Cap exceed(s) 0.1% but is/are less than 5%, the Supplemental Financial Services Master Agreement and the Revised Annual Cap 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 Supplemental 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 Supplemental Financial Services Master Agreement and the transactions contemplated thereunder. Nevertheless, Mr. Zhang Bishu has also abstained from voting on the Board resolutions approving the Supplemental 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)

“Deposit Services”	the provision of deposit services provided by Macro-link Finance to the Company pursuant to the Financial Services Master Agreement
“Director(s)”	the director(s) of the Company
“Financial Services Master Agreement”	an agreement dated 18 December 2017 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 18 December 2017 to 17 December 2018
“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
“Original Annual Cap”	the original annual cap for the continuing connected transaction in relation to the Deposit Services for the term commencing on 18 December 2017 and expiring on 17 December 2018 as set out in the section headed “Revision of Original Annual Cap - A. Original Annual Cap and Revised Annual Cap” in this announcement
“PRC”	the People’s Republic of China, excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“Revised Annual Cap”	the revised annual cap for the continuing connected transaction in relation to the Deposit Services for the term commencing on 26 July 2018 and expiring on 25 July 2019 as set out in the section headed “Revision of Original Annual Cap - A. Original Annual Cap and Revised Annual Cap” in this announcement
“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

“Supplemental Financial Services Master Agreement” a supplemental agreement dated 26 July 2018 and entered into between the Company and Macro-link Finance in relation to the revision of the Original Annual Cap to the Revised Annual Cap in and the term of the Financial Services Master Agreement

“%” 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, 26 July 2018

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.