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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)

VOLUNTARY ANNOUNCEMENT

FURTHER UPDATE ON LEGAL PROCEEDINGS IN THE PRC

Reference is made to the announcements of Dongyue Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") dated 30 September 2016 (the "**30 September Announcement**"), 25 January 2017, 29 May 2017, 4 December 2017 and 27 June 2018 (the "**27 June Announcement**") respectively in relation to, among other things, the misappropriation of funds of the Group. Unless otherwise defined, capitalised terms used in this announcement shall have the same meaning ascribed to them in the 30 September Announcement and 27 June Announcement.

The Company would like to provide further update on the basis of the Decision referred to in the 27 June Announcement.

Contrary to the contention of the Shandong Dongyue Polymers Co., Ltd (山東東岳高分子材料有限公司) and Shandong Dongyue Chemicals Co., Ltd. (山東東岳化工有限公司), both wholly-owned subsidiaries of the Company (the "**Two Subsidiaries**"), the Shandong Higher People's Court (山東省高級人民法院) in the PRC held that the tri-partite agreements in relation to the two lawsuits were valid and enforceable. This was because the tri-partite agreements were signed by Li Bin (李濱) on behalf of the Two Subsidiaries and stamped with their company chops. Pursuant to the tri-partite agreements, it was held that the Bank of Communications was entitled to withhold the security deposits amounting to RMB 500 million in total. The Shandong Higher People's Court also held that whether the act of signing or applying the company chop was properly authorised was merely a matter of the Two Subsidiaries' internal management scope and therefore did not impact upon the enforceability of the tri-partite agreements for external parties.

The RMB500 million misappropriated funds had already been written off from the Group's consolidated financial statements for FY2015 as part of the one-off write-off of assets as disclosed in the Company's annual report for FY2015. As such, the Board considers that the Decision has no material adverse impact on the Company's business, operations and financials.

The Two Subsidiaries have submitted their appeals against the Decision on 4 July 2018 to the PRC's Supreme People's Court (中華人民共和國最高人民法院).

Further announcement(s) will be made by the Company as and when appropriate to keep its shareholders and potential investors informed of any material development in relation to the above lawsuits.

By Order of the Board
Dongyue Group Limited
Zhang Jianhong
Chairman

Hong Kong, 13 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 Rundong as independent non-executive directors.