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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 COMMENCEMENT OF LEGAL PROCEEDINGS IN THE PRC**

Reference is made to the announcement of Dongyue Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 30 September 2016 (the “**Announcement**”) 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 Announcement.

As stated in the Announcement, in respect of the misappropriated funds relating to the Alleged Financial Transactions, the Company has been seeking PRC legal advice regarding possible legal proceeding(s) against the parties involved to recover inter alia the Company’s loss.

The Board wishes to announce that Shandong Dongyue Chemicals Co., Ltd. (山東東岳化工有限公司), an indirectly wholly-owned subsidiary of the Company (the “**Plaintiff**”) has filed a civil lawsuit (the “**Lawsuit**”) at the Zibo Intermediate People’s Court (濰博市中級人民法院) in the PRC against the following parties (collectively, the “**Defendants**”):

- 1<sup>st</sup> Defendant: Bank of Communications Company Limited, Qingdao branch (交通銀行股份有限公司青島分行)
- 2<sup>nd</sup> Defendant: Bank of Communications Company Limited, north branch of Qingdao City (交通銀行股份有限公司青島市北第一支行)
- 3<sup>rd</sup> Defendant: Shandong Heng Tai Jie Neng New Material Technology Co., Ltd. (山東恒泰節能新材料科技有限公司) (one of the MC Companies as referred to in the Announcement)
- 4<sup>th</sup> Defendant: Li Bin (the former PRC financial controller of the Company)

The cause of the Lawsuit was that the Defendants are alleged to have colluded to jeopardise the interests of the Plaintiff. In the statement of claim (民事起訴狀) filed by the Plaintiff, it was alleged that the 2<sup>nd</sup> Defendant and the 3<sup>rd</sup> Defendant have together with the 4<sup>th</sup> Defendant colluded to arrange the 4<sup>th</sup> Defendant to deposit RMB200 million of the Plaintiff’s funds with the 2<sup>nd</sup> Defendant as the security deposit (the **Security Deposit**) to guarantee the bank loan from the 1<sup>st</sup> Defendant to the 3<sup>rd</sup> Defendant. The 4<sup>th</sup> Defendant has, without due authorization from the Plaintiff, placed the Security Deposit with the 2<sup>nd</sup> Defendant and also entered into a tri-partite agreement (**Tri-partite Agreement**) in the name of the Plaintiff with the 1<sup>st</sup> and 3<sup>rd</sup> Defendants. The main responsible officers and relevant personnel of the 2<sup>nd</sup> Defendant and 3<sup>rd</sup> Defendant and the 4<sup>th</sup> Defendant are currently suspected of criminal offences and have been subject to mandatory measures in the PRC.

In the Lawsuit, the Plaintiff claimed for: (i) the Tri-partite Agreement to be declared null and of no effect; (ii) the return and compensation by the 1<sup>st</sup> Defendant and 2<sup>nd</sup> Defendant of RMB200 million which was allegedly forfeited pursuant to the Tri-partite Agreement with interests; and (iii) the legal costs associated with the Lawsuit to be borne by the Defendants.

On 19 January 2017, the Zibo Intermediate People's Court informed the Plaintiff that the Lawsuit met statutory prosecution conditions and has been formally registered.

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 Lawsuit.

#### **CONTINUED SUSPENSION OF TRADING**

Trading in the shares of the Company on the Stock Exchange has been suspended at the request of the Company since 9:00 a.m. on 1 April 2016 and will remain suspended until further notice.

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

By Order of the Board  
**Dongyue Group Limited**  
Zhang Jianhong  
*Chairman*

The PRC, 25 January 2017

*As at the date of this announcement, the directors of the Company are Mr. Zhang Jianhong, Mr. Fu Kwan, Mr. Liu Chuanqi, Mr. Cui Tongzheng, Mr. Feng Jianjun 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.*