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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 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 (the “**25 January Announcement**”) and 29 May 2017 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.

As stated in the aforementioned announcements, 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.

#### **COMMENCEMENT OF LEGAL PROCEEDINGS IN THE PRC RELATING TO THE MISAPPROPRIATION OF RMB300 MILLION OF FUNDS OF THE GROUP**

The Board wishes to announce that Shangdong Dongyue Polymers Co., Ltd (山東東岳高分子材料有限公司), a wholly-owned subsidiary of the Company (the “**Plaintiff**”) has filed a civil lawsuit (the “**Lawsuit**”) at the Shandong Higher People’s Court (山東省高級人民法院) in the PRC against the following parties (collectively, the “**Defendants**”):

- 1st Defendant: Bank of Communications Company Limited, Qingdao Branch (交通銀行股份有限公司青島分行)
- 2nd 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)
- 3rd Defendant: Zibo Sheng Quan Jie Neng Environmental Protection Technology Co., Ltd. (淄博盛泉節能環保科技有限公司) (one of the MC Companies as referred to in the 30 September Announcement)

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 2nd Defendant and 3rd Defendant have together with Li Bin (the former PRC financial controller of the Company) maliciously colluded to arrange that Li Bin deposit RMB300 million of the Plaintiff's funds with the 2nd Defendant as the security deposit (the "Security Deposit") to guarantee the bank loan from the 2nd Defendant to the 3rd Defendant. Without due authorization from the Plaintiff, Li Bin entered into a tri-partite agreement ("Tri-partite Agreement") in the name of the Plaintiff with the 1st and 3rd Defendants, and placed the Security Deposit with the 2nd Defendant. The main responsible officers and relevant personnel of the 2nd Defendant and the 3rd Defendant, and Li Bin are all 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; (ii) the return by the 1st Defendant and 2nd Defendant of RMB300 million which was allegedly forfeited pursuant to the Tri-partite Agreement and compensation for loss of interests; and (iii) the legal costs associated with the Lawsuit to be borne by the Defendants.

On 16 November 2017, the Shandong Higher People's Court informed the Plaintiff that the Lawsuit met statutory prosecution conditions and has been formally registered.

#### **UPDATE ON LEGAL PROCEEDINGS IN THE PRC RELATING TO THE MISAPPROPRIATION OF RMB200 MILLION OF FUNDS OF THE GROUP**

In addition, as regards the lawsuit in relation to the RMB200 million misappropriated funds of the Group as disclosed in the 25 January Announcement, the Shandong Higher People's Court had decided that it shall hear this lawsuit, and on 16 November 2017 informed the Plaintiff that this lawsuit met the statutory prosecution conditions and had 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 above lawsuits.

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

The PRC, 4 December 2017

*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.*