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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)

**WORK AND VIEWS OF THE INDEPENDENT COMMITTEE
AND
UPDATE ON PROGRESS OF FULFILLMENT OF
RESUMPTION CONDITIONS**

This announcement is made by Dongyue Group Limited (the “**Company**”, and together with its subsidiaries the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the provisions on inside information under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

Reference is made to the announcements of the Company dated 24 February 2016, 31 March 2016, 20 May 2016, 4 July 2016, 30 September 2016, 14 December 2016 and 28 April 2017 (the “**Announcements**”). Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings ascribed to them in the Announcements.

As disclosed in the Company’s announcement dated 24 February 2016, the Board established the Independent Committee to appoint an independent counsel and an independent forensic expert to conduct an independent review and/or investigation into the Alleged Financial Transactions and other related matters.

The Independent Committee has essentially completed its work and performed its duties. The Independent Committee has carefully considered the information obtained by it up to mid May 2017, including the observations, responses and information provided by the Company’s management regarding the Alleged Financial Transactions and certain related matters, the Forensic Report, the Explanation Documents (defined below) issued by the PRC Public Security Authority, communications with the Public Security Authority, the internal control review reports issued by the independent Internal Control Adviser appointed by the Company, the audited report for the year ended 31 December 2015 (the “**FY 2015 Audited Report**”) issued by Elite Partners CPA Limited (the “**Auditors**”) as the Company’s current auditors, communications with the Auditors and the Announcements etc.

On the basis of the information mentioned above and after careful consideration, the Independent Committee's views are that: (i) as regards the Alleged Financial Transactions, the Independent Committee has no concern as to the integrity of the Company's current management; (ii) the Independent Committee accepts the observations and explanations provided by the Company's management that:- the Alleged Financial Transactions were a sophisticated suspected criminal scheme orchestrated and directed by Li Bin (the then Financial Controller), with the assistance of the two Cashier Officers of the Company (who were supervised by Li Bin) and in collusion with external personnel. The Independent Committee notes that the explanation documents issued by the Public Security Authority on 22 August 2016 and 3 February 2017 respectively (the "**Explanation Documents**") already confirmed that other than Li Bin and the two Cashier Officers, the management and the other personnel of the Group were not involved in Li Bin's criminal case involving the misappropriation of funds. The Independent Committee is satisfied with the above observations and explanations. The Independent Committee has also not obtained any other information or evidence which leads it to suspect that the management or the other personnel of the Group were involved in the Alleged Financial Transactions case; and (iii) the Independent Committee notes that according to the FY 2015 Audited Report issued by the Auditors, the Auditors have not discovered that the Company has any potentially suspicious fund transfers other than the matters mentioned in the auditors' qualified opinion set out in the Company's FY 2015 results announcement dated 28 April 2017.

The Independent Committee has already submitted its views to the Stock Exchange.

The Independent Committee understands that, although subject to the limitations caused by the suspected criminal nature of the relevant incident, after discovering the Alleged Financial Transactions, the Company's management has endeavoured to take various actions and measures promptly to ascertain the causes of the incident and remedy the situation, including but not limited to:

1. Establishing the Independent Committee which comprises only the independent non-executive directors, engaging one of the Big Four accounting firms as the Company's Independent Forensic Expert to conduct a forensic investigation into the Alleged Financial Transactions and the related matters.
2. Implementing various enhancement measures to improve and strengthen its internal control system, appointing one of the Big Four accounting firms as the Company's Internal Control Adviser to conduct a review of the internal control system of the Company and the Relevant Subsidiaries, considering the Internal Control Adviser's recommendations for improvement and taking appropriate actions and enhancement measures, arranging for the Board and the Group's senior and middle management to receive relevant trainings. Please see the Company's announcement dated 28 April 2017 for details.

3. Persistently and proactively assisting with the Public Security Authority's investigations and the prosecutions, seeking PRC legal advice and pursuing civil claims, with a view to recovering its loss. The Company will continue following up the above and proactively exploring the possibility of taking other viable actions (including other potential civil claims). Please see the Company's announcements dated 24 February 2016 and 25 January 2017 respectively for details.
4. As regards the Group's personnel mentioned in the Forensic Report in relation to the incident, there have already been certain changes.
5. The Group has ended and will not engage in such wealth management business in the future.
6. The Auditors have issued the FY 2015 Audited Report and aims to issue the FY 2016 audited report in or around May 2017. Please see the Company's announcement dated 28 April 2017 for details.

The Independent Committee is of the view that the various actions and measures mentioned above all serve to prevent similar incidents from happening in the future.

The Board considers that the Independent Committee has essentially completed its work and performed its duties. After consideration, the Board agrees with the Independent Committee's views and conclusions. The Company will continue to review and optimise its internal control system. At the same time, subsequent investigations and relevant criminal prosecutions will continue to be conducted by the Public Security Authority and the PRC judicial authorities. The Company will continue to cooperate with the Public Security Authority and to pursue legal actions to recover as much of the Company's losses as possible.

UPDATE ON PROGRESS OF FULFILLMENT OF RESUMPTION CONDITIONS

As disclosed in the announcement of the Company dated 28 April 2017, the Internal Control Adviser has conducted and completed an assessment of the Company's internal control (the "**Internal Control Review**") and the Company has taken actions to implement the internal control recommendations made by the Internal Control Adviser. The Internal Control Review was conducted in two phases. The first phase has been completed and the Internal Control Adviser has issued a report which summarizes the findings of the Internal Control Review and provides recommendations to the Management. The second phase has also been completed and the Internal Control Adviser has issued a report which summarizes the results of its subsequent review of the remedial measures implemented by the Company in response to the Internal Control Adviser's recommendations. For further details including the key findings in relation to treasury management procedures and the relevant remedial measures implemented by the Company, please refer to the Company's announcement dated 28 April 2017.

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 shares of the Company.

By Order of the Board
Dongyue Group Limited
Zhang Jianhong
Chairman

The PRC, 29 May 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.