

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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, 29 May 2017 and 4 December 2017 (the "**4 December 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.

As stated in the 4 December Announcement, in respect of the misappropriated funds relating to the Alleged Financial Transactions, 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, had commenced legal proceedings in the PRC against the parties involved to recover, among other things, the Company's loss.

The two lawsuits in relation to the respective RMB200 million and RMB300 million misappropriated funds of the Group as disclosed in the 4 December Announcement were tried by the Shandong Higher People's Court (山東省高級人民法院) in the PRC. On 14 June 2018, the Shandong Higher People's Court at first instance dismissed the Company's claims to recover the aforesaid amounts, totaling RMB500 million (the "**Decision**"). The RMB500 million misappropriated funds had already been written off from the Group's consolidated financial statements for the year ended 31 December 2015 ("**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 Company is seeking legal advice in relation to the Decision and is making the relevant preparations for appealing to the second instance court.

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, 27 June 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.