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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, 29 May 2017, 4 December 2017, 27 June 2018 (the "**27 June Announcement**") and 13 July 2018 (the "**13 July 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, 27 June Announcement and 17 July Announcement.

In respect of the appeal for the recovery of the RMB 200 million security deposit filed by Dongyue Chemicals, the PRC's Supreme People's Court (中華人民共和國最高人民法院) (the "**SPC**") had issued its final judgment. The SPC upheld the Shandong Higher People's Court's (山東省高級人民法院) decision and dismissed the appeal (the "**SPC's RMB 200M Decision**"). The SPC held that the Shandong Higher People's Court did not err in concluding that the relevant tri-partite agreement was valid and enforceable, since it was being executed by Li Bin (李濱) in the name of Dongyue Chemicals and stamped with its company chop. As a result, the Bank of Communications was entitled to withhold the security deposit amounting to RMB 200 million. The SPC further held that any criminal conduct by Li Bin was a matter of internal regulation and internal legal relationship between Dongyue Chemicals and Li Bin. Such criminal conduct would not affect the validity of the tri-partite agreement for external parties.

As stated in the 13 July Announcement, the RMB 200 million had already been written off from the Group's consolidated financial statements for the year ended 31 December 2015 ("**FY 2015**") as part of the one-off write-off of assets as disclosed in the Company's annual report for FY 2015. As such, the Board considers that the SPC's RMB 200M Decision has no material adverse impact on the Company's business, operations and financials.

The Company will continue to consider pursuing other legal remedies to safeguard the Company's interests.

The SPC's decision in respect of the appeal for the recovery of the RMB 300 million security deposit filed by Dongyue Polymers (the "**SPC's RMB 300M Decision**") is still pending.

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, in particular, the SPC's RMB 300M Decision after it is handed down by the SPC.

By Order of the Board
Dongyue Group Limited
Zhang Jianhong
Chairman

The PRC, 18 January 2019

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 Run Dong as independent non-executive directors.