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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)

SUSPECTED MISAPPROPRIATION OF FUNDS

DELAY IN PUBLICATION OF 2015 ANNUAL RESULTS AND DELAY IN DESPATCH OF 2015 ANNUAL REPORT

AND

RESUMPTION OF TRADING

This announcement is made by Dongyue Group Limited (the “Company” together with its subsidiaries, the “Group”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

SUSPECTED MISAPPROPRIATION OF FUNDS

The Company conducted an internal audit in mid-September 2015, through which it found approximately RMB978.2 million which was booked under the line item “other receivables” (the “Receivables”) and which belongs to the wealth management business of the Group. During the course of the internal audit, it was found that certain interest accrued on such funds had not been received. In addition, the Company found that the balance of two deposits with an amount of RMB200 million and RMB300 million respectively which were both deposited into a bank in the PRC (the “Long-term Deposit”) remained unchanged over a long period of time. The Company therefore inquired a former employee of the Company (who was then the PRC financial controller of the Company) about such situations. Such former employee explained that the Receivables and the two Long-term Deposits were bank wealth management.

On 2 November 2015 (an account closing day of the Group), upon enquiries with the bank, the Company was informed that the balance of the two Long-term Deposits was zero. The Company immediately reported the suspected incident to the local public security authority in the PRC (the “Public Security Authority”) on the same date. The Public Security Authority has launched an investigation of the reported incident accordingly. On 29 January 2016 (after trading hours), the Company was informed by the Public Security Authority that it had made an application for arresting a former employee of the Company (the “Suspect”) for suspected misappropriation of funds of approximately RMB500 million belonging to the Group (the “Suspected Misappropriation”).

The Public Security Authority has also been investigating the Suspect for suspected unauthorised use or potential misappropriation of funds of approximately RMB978.2 million under the Receivables (the “Suspected Potential Misappropriation”). As at the date of this announcement, such funds and the relevant interest have not been repaid. The facts and evidence are being investigated and verified by the Public Security Authority. The Company was further informed by the Public Security Authority on 2 February 2016 that the approval for arresting the Suspect had been granted by the prosecutorial authority on the same date. The Suspect had been

the PRC financial controller of the Company before all his powers and functions of office were dismissed on 3 November 2015 by the Company. The Suspect had ceased to be employed by the Company since 29 January 2016 due to his suspected criminal charge. The investigation is currently underway and the Company is proactively cooperating with the Public Security Authority. There are another two employees of the Group who are being investigated by the Public Security Authority. They are staff of the finance department of the Group and have ceased their duties in the financial department, pending investigations by the Public Security Authority. As at the date of this announcement, to the best knowledge of the Company, no other person other than the Suspect have been detained or arrested for the Suspected Misappropriation and the Suspected Potential Misappropriation.

MEASURES TAKEN

The Company is also proactively cooperating with the Public Security Authority to trace the misappropriated funds and has requested the Public Security Authority to take all measures to attach the assets of the parties who are believed to have benefited from the misappropriated funds to the extent permitted under the PRC laws and regulations. As at the date of this announcement, the Public Security Authority has attached 49 properties (approximately 154,307.32 square meters) and 27 lots of land (approximately 343,027.89 square meters) registered under the name of the company to which the misappropriated funds were found to be transferred and such properties and land are subject to further applicable investigation and legal proceedings under PRC laws and regulations.

The Company has enhanced its internal control measures, including adjustment and enhancement of capital raising and financing procedures, cash (large sums over RMB1 million) transfers and payment procedures, financial payment procedures, cash-for-use reporting procedures, expense reimbursement procedures, receipt, cheque and chop management procedures and internal audit procedures.

The Company has set up an independent committee and such committee will appoint an independent forensic expert to perform an independent review and/or investigation to circumstances of the Suspected Misappropriation and Suspected Potential Misappropriation and other related matters.

The directors of the Company (the "Board") confirms that, as at the date of this announcement, the production, supply and sale activities of the Group remain normal and are not affected by this incident. On a preliminary review based on information currently available, the Board considers that the Suspected Misappropriation and the Suspected Potential Misappropriation do not have an immediate material impact on the production, supply and sale activities of the Group but will be assessing the situation on an on-going basis. The Board is currently assessing the impact of the Suspected Misappropriation and the Suspected Potential Misappropriation on the financial position of the Group. This announcement is prepared based on information currently known to the Company only and the Board will continue to inquire the development of the investigation on the Suspected Misappropriation and the Suspected Potential Misappropriation. The Board will update the shareholders and potential investors with respect to any further material developments concerning the investigation as and when appropriate.

DELAY IN PUBLICATION OF 2015 ANNUAL RESULTS AND DELAY IN DESPATCH OF 2015 ANNUAL REPORT

In light of the Suspected Misappropriation and the Suspected Potential Misappropriation and the fact that the related investigation is under process, the Board expects that there may be delay in the publication of the 2015 Annual Results. The Board also expects that the Company may not be able to despatch the annual report for the year ended 31 December 2015 (the "2015 Annual Report") to its shareholders by 30 April 2016. The Company will update shareholders on the progress and the expected timeline for the publication of the 2015 Annual Results and 2015 Annual Report as and when appropriate.

Pursuant to Rule 13.49(1) and 13.46(2)(a) of the Listing Rules, the Company is required to publish its 2015 Annual Results on or before 31 March 2016, and to send the 2015 Annual Report to its shareholders on or before 30 April 2016. The Board acknowledges that any delay in publication of the 2015 Annual Results and any delay in despatch of the 2015 Annual Report constitute non-compliance with the Rules 13.49(1) and 13.46(2)(a) of the Listing Rules.

TRADING HALT AND RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was halted with effect from 9:00am on 1 February 2016 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:00 a.m. on 25 February 2016.

SHAREHOLDERS OF THE COMPANY AND POTENTIAL INVESTORS 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, 24 February 2016

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.