

**DONGYUE GROUP LTD:
ONE SUPPOSES THAT ALL WILL COME OUT IN THE WASH**

Without meaning to prejudice the legal proceedings, currently pending in The High People's Courts at Beijing (), the People's Republic of China (PRC), in respect of Bluestar Chemical Factory () v. Shandong Dongyue Fluorine Silicone Materials Company Ltd () and Shandong Dongyue Organosilicon Material Company Ltd () [both of which are subsidiaries of Dongyue Group Ltd () (Code: 189, Main Board, The Stock Exchange of Hongkong Ltd)] and Beijing Petrochemical Design Institute (), it does appear odd that a statement as to the potential for litigation was never mentioned in the Global Offering Prospectus of Dongyue Group Ltd, dated November 26, 2007.

In fact, there was not even a hint of anything materially untoward taking place between Dongyue Group Ltd and any other company, that is anything that could lead to a claim, being made in any court, anywhere in the world.

At Page 175 of the Global Offering Prospectus, it is stated:

'LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

'We conduct our operations and carry out our business in material compliance with relevant PRC laws and regulations. Please see the section headed "Regulatory Overview" in this prospectus for details regarding the laws and regulations that govern our operations.

'Our PRC legal counsel, Grandall Legal Group (Shanghai), has advised us that as of the Latest Practicable Date, we have complied in all material respects with relevant PRC laws and regulations, and all of our PRC subsidiaries have not been operating their respective business in violation of PRC laws and regulations or in excess of the business scope stated in their respective business license since their establishment. Our PRC legal counsel, Grandall Legal Group (Shanghai) also advised us and we confirm that we have complied with all material respects with the international treaties that are material to our business and operations.

'As of the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or administrative proceedings pending or threatening against us or any of our directors that could have a material adverse effect on our financial condition or results of operation.'

It is the final paragraph of Page 175 which makes one question whether or not this voluntary admission was correct and accurate in all respects.

In business, whether it be in the fundamentalist Muslim nation of Iran, the United States of America (companies and individuals are known to be extremely litigious in The Land of The Free and The Home of The Brave), in Europe, and even in Singapore where the government is authoritarian in the extreme, prior to the issuing of claim, even in the lowest of a court system, there is, normally, a Letter Before Action, stating the grievance that one party has against another.

If one is to believe those 3 paragraphs at Page 175 of the Global Offering Prospectus of Dongyue Group Ltd, then, it must be so that there had been no Letter Before Action with regard to this litigation, as at the November 26, 2007.

Alternatively, even if the Company had an inkling of a pending lawsuit, it was deemed to have no ‘*material adverse effect on our financial condition or results of operation.*’

Against that defence, however, one was informed, on December 21, 2007, just 25 days after the Global Offering Prospectus of Dongyue Group Ltd had been promulgated, that the potential claims by the Plaintiff (Bluestar Chemical Factory) was 100 million renminbi (about \$HK105.80 million).

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