Ko Yo Chemical (Group) Limited
玖源化工(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0827)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2014

HIGHLIGHTS

— For the year ended 31st December 2014, the loss attributable to shareholders was approximately RMB490 million, which represents an increase a loss of RMB433 million as compared to a loss of RMB57 million in year 2013. If neglect the loss due to the subscription price adjustment on the warrants and the loss on convertible bonds of a total amount of approximately RMB292 million, the adjusted loss attributable to shareholders was approximately RMB198 million.

— Basic loss per share was approximately RMB0.2973 for the year ended 31st December 2014.

— For the year ended 31st December 2014, sale turnover was approximately RMB1,370 million, which represents an increase of approximately 2.3% as compared to year 2013.

— The sales amount and quantities of main products of the Group are as follows:

			% change compare with year 2013	
Type	**Sales amount** *(million RMB)*	**Sales quantities** *(tonnes)*	**Sales amount**	**Sales quantities**
BB & compound fertilizers	80	56,694	(7.0)	11.3
Urea	625	385,376	(14.4)	(1.5)
Ammonia	187	89,887	0.5	1.6

— The Directors do not recommend the payment of any final dividend for the year ended 31st December 2014.

The board of directors (the "Board") is pleased to present the audited annual results of Ko Yo Chemical (Group) Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31st December 2014.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Turnover	*3*	**1,369,590**	1,339,252
Cost of sales		**(1,357,771)**	(1,202,342)
Gross profit		**11,819**	136,910
Distribution costs		**(68,268)**	(54,134)
Administrative expenses		**(218,399)**	(73,847)
Other (loss)/income — net	*4*	**(172,739)**	9,273
Operating (loss)/profit		**(447,587)**	18,202
Finance income		**36,011**	47,267
Finance expenses		**(113,163)**	(129,726)
Finance expenses — net	*5*	**(77,152)**	(82,459)
Loss before income tax		**(524,739)**	(64,257)
Income tax benefit	*6*	**34,050**	6,868
Loss and total comprehensive loss for the year		**(490,689)**	(57,389)
Attributable to:			
Equity holders of the Company		**(490,047)**	(57,056)
Non-controlling interests		**(642)**	(333)
		(490,689)	(57,389)
Loss per share attributable to the equity holders of the Company during the year (expressed in RMB per share)			
— Basic and Diluted	*7*	**(0.2973)**	(0.0396)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company				
	Share capital *RMB'000*	**Reserves** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
Balance at 1 January 2013	138,618	979,454	1,118,072	3,600	1,121,672
Comprehensive loss:					
Loss for the year	–	(57,056)	(57,056)	(333)	(57,389)
Transactions with owners:					
Employee share option scheme:					
— Value of employee services	–	8,016	8,016	–	8,016
Balance at 31 December 2013	138,618	930,414	1,069,032	3,267	1,072,299
Balance at 1 January 2014	**138,618**	**930,414**	**1,069,032**	**3,267**	**1,072,299**
Comprehensive loss:					
Loss for the year	**–**	**(490,047)**	**(490,047)**	**(642)**	**(490,689)**
Transactions with owners:					
Issue of shares:					
— New Shares	**63,368**	**124,791**	**188,159**	**–**	**188,159**
— Employee share option scheme	**2,535**	**14,660**	**17,195**	**–**	**17,195**
— Exercise of warrant rights	**17,119**	**296,887**	**314,006**	**–**	**314,006**
— Conversion of bonds	**81,320**	**5,690**	**87,010**	**–**	**87,010**
Issuance of convertible bonds	**–**	**567,778**	**567,778**	**–**	**567,778**
Changes in ownership interests in a subsidiary without change of control	**–**	**91**	**91**	**809**	**900**
Total transactions with owners	**164,342**	**1,009,897**	**1,174,239**	**809**	**1,175,048**
Balance at 31 December 2014	**302,960**	**1,450,264**	**1,753,224**	**3,434**	**1,756,658**

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2014** *RMB'000*	**2013** *RMB'000*
ASSETS			
Non-current assets			
Land use rights		**51,838**	53,027
Property, plant and equipment		**2,992,283**	2,568,621
Investment properties		**13,145**	13,654
Mining right	*9*	**334,306**	334,306
Other intangible assets		**10,628**	10,898
Deferred income tax assets		**38,869**	10,208
		3,441,069	2,990,714
Current assets			
Inventories		**62,327**	43,259
Trade and other receivables	*10*	**435,820**	360,905
Prepaid income tax, net		**7,555**	7,300
Pledged bank deposits		**689,603**	1,726,298
Cash and cash equivalents		**498,099**	116,683
		1,693,404	2,254,445
Non-current assets held for sale		**198,784**	198,784
		1,892,188	2,453,229
Total assets		**5,333,257**	5,443,943
EQUITY			
Equity attributable to owners of the company			
Share capital		**302,960**	138,618
Reserves		**1,450,264**	930,414
		1,753,224	1,069,032
Non-controlling interest		**3,434**	3,267
Total equity		**1,756,658**	1,072,299

		As at 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**648,822**	1,040,218
Convertible bonds	*11*	**147,629**	–
Deferred subsidy income		**3,238**	3,892
Deferred income tax liabilities		**80,867**	86,352
		880,556	1,130,462
Current liabilities			
Trade and other payables	*12*	**690,430**	419,606
Short-term borrowings		**1,719,041**	2,583,575
Current portion of long-term borrowings		**286,572**	207,510
Derivative financial liabilities		**–**	30,491
		2,696,043	3,241,182
Total liabilities		**3,576,599**	4,371,644
Total equity and liabilities		**5,333,257**	5,443,943
Net current liabilities		**(803,855)**	(787,953)
Total assets less current liabilities		**2,637,214**	2,202,761

Notes:

1 GENERAL INFORMATION

Ko Yo Chemical (Group) Limited (the "Company") was incorporated in the Cayman Islands on 11 February 2002 as an exempted company with limited liability under the Companies Law Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its shares had been listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 10 July 2003 (the "Listing"). On 25 August 2008, the Company transferred the listing of its shares from GEM of the Stock Exchange to the Main Board of the Stock Exchange.

The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company is Suite No. 02, 31st Floor, Sino Plaza, 255–257 Gloucester Road, Causeway Bay, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in the manufacture and sale of chemical products and chemical fertilisers in Mainland China.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 25 March 2015.

On 13 November 2014, the Company issued convertible bonds ("CB") with a principal amount of HKD832,000,000 (equivalent to approximately RMB665,600,000) and 800,000,000 new shares at an issue price of HKD0.32 per share (the "New Share") to Asia Pacific Resources Development Investment Limited (the "Subscriber" or "Asia Pacific"), a company incorporated in the British Virgin Islands and is wholly beneficially owned by Mr. Cheng Kin Ming.

Upon issuance of New Share, Mr. Cheng Kin Ming became the largest shareholder of the Company, who owns approximately 22.86% of the Company's issued shares as at 31 December 2014. Mr. Li Weiruo, a director of the Company, became the second largest shareholder, who owns approximately 16.73% of the Company's issued shares as at 31 December 2014 (2013: 40.7%).

On 14 October 2014, every five authorised and issued shares of HKD0.02 each in the share capital of the Company were consolidated into one consolidated share of HKD0.1 each in the share capital of the Company (the "Share Consolidation"). Share information disclosed in these consolidated financial statements has been adjusted on post-consolidation basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2.1.1 Going concern

The Group incurred a consolidated net loss of RMB490 million and had a net operating cash outflows of RMB220 million during the year ended 31 December 2014. As at 31 December 2014, the Group's current liabilities exceeded its current assets by approximately RMB804 million. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

In addition, the Group has contracted capital commitments of RMB343 million as at 31 December 2014.

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from 31 December 2014. They have assessed the appropriateness of adopting the going concern basis for the preparation of these financial statements for the year ended 31 December 2014 in light of the Group's plans and measures described below to improve its cash flows:

(a) As at 31 December 2014, the Group's total borrowings amounted to RMB2,802 million, of which RMB2,006 million will be due within twelve months from 31 December 2014. As at that date, the Group's bank deposits pledged for short-term borrowings amounted to RMB616 million. The Group has not experienced any significant difficulties in renewing its short-term borrowings upon their maturities and there is no indication that the banks will not renew the existing short-term borrowings if the Group applies for the renewal. Subsequent to the balance sheet date and up to the date of approval of these financial statements, the Group has renewed short-term borrowings of approximately RMB252 million for another twelve months. In addition, certain banks have advised their intention in writing, though not legally binding, to renew or to extend the loans of approximately RMB1,467 million for another twelve months when they fall due in 2015.

(b) On 18 January 2015, the Company and Asia Pacific entered into an agreement pursuant to which Asia Pacific has unconditionally and irrevocably granted a put option (the "Put Option") to the Company entitling the Company, at any-time during the put option period, to require Asia Pacific to subscribe from the Company new convertible bonds in the aggregate principal amount of no more than HKD1,440 million (equivalent to RMB1,160 million). The put option period is three years. The Put Option will only become exercisable if the following resolutions are passed by the independent shareholders at extraordinary general meeting approving: (i) the issue of the new convertible bonds and the transactions contemplated thereunder; and (ii) the granting of the specific mandate to the directors to issue the conversion shares. If any of the above conditions are not satisfied before 30 June 2015, the put option agreement will be terminated. The new convertible bonds, when issued, will bear interest at 7% per annum and will mature on the tenth anniversary of the date of issue. The directors believe Asia Pacific has adequate financial resources to honour the put option agreement when required and there is no legal obstacle which will prevent the issuance of the new convertible bonds.

(c) As at 31 December 2014, the contracted capital expenditure committed by the Group amounted to approximately RMB343 million, of which approximately RMB86 million is required to be settled in the coming twelve months. These commitments are mainly related to the construction of two new production facilities in GuangAn, Sichuan province. The directors of the Company will undertake close monitoring process to control the magnitude and timing of the expected cash outlays associated with the new projects.

(d) The directors also expect that sufficient sales orders will be secured in the coming year such that net operating cash inflows will be generated from its existing as well as the newly completed production facilities.

In the opinion of the directors, in light of the above, the Group will have sufficient financial resources to finance its operations and fulfill its financial obligations as and when required in the coming twelve months from 31 December 2014. Accordingly, the directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing cash inflows through successful renewal of its current bank loans upon expiry, obtaining additional bank borrowings, securing other sources of financing, including the issuance of convertible bonds under the Put Option as needed; and generate adequate operating cash inflows. Should the Group be unable to achieve the above plans and measures such that it would not be able to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in these consolidated financial statements.

2.1.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

There are no new standards or amendments to standards that are effective for the first time for the financial year beginning on 1 January 2014 that have a material impact on the Group.

(b) New standards and interpretations not yet adopted

Other than as disclosed below, there are no new standards or amendments to standards that are effective for the first time for the financial year beginning after 1 January 2014 that would be expected to have a material impact on the Group.

- HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKAS 9's full impact.

- HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of HKAS 15.

3 TURNOVER

Turnover represents invoiced value of sale of chemical products and chemical fertilisers to customers in Mainland China, net of goods returned and value-added tax, where applicable.

The Group's sales made in Mainland China are subject to value-added tax. The applicable rates of output value-added tax range from 0% to 17%.

The Group's turnover and profit are generated from one segment, i.e. manufacturing and sale of chemical products and chemical fertilisers in Mainland China, no segment information is therefore presented.

The Group has a number of customers and revenue generated from the top two customers are accounted for 12% and 10% respectively of the Group's turnover during the year.

4 OTHER (LOSS)/INCOME — NET

	2014	2013
	RMB'000	*RMB'000*
Loss of sales of scrap materials, net	**(2,455)**	–
Deferred subsidy income recognised	**654**	654
Subsidy income	**803**	140
Rental income, net	**1,226**	1,104
Fair value changes on derivative financial liabilities	**(175,228)**	6,039
Others, net	**2,261**	1,336
	(172,739)	9,273

5 FINANCE EXPENSES — NET

	2014	2013
	RMB'000	*RMB'000*
Finance income:		
Interest income	**(36,011)**	(44,653)
Exchange gain	**–**	(2,614)
	(36,011)	(47,267)
Finance expenses:		
Interest expense:		
bank borrowings	**189,007**	158,969
borrowing from IFC	**8,585**	8,936
borrowing from Asian Equity and PA International	**16,453**	23,966
convertible bonds	**19,651**	–
Less: capitalisation in construction-in-progress	**(128,201)**	(65,316)
	105,495	126,555
Exchange loss	**5,737**	–
Others	**1,931**	3,171
	113,163	129,726
Finance expenses — net	**77,152**	82,459

6 INCOME TAX EXPENSE

No provision for profits tax in the Cayman Islands, British Virgin Islands or Hong Kong has been made, as the Group had no assessable profit arising in or derived from those jurisdictions during the years ended 31 December 2013 and 2014.

Dazhou Ko Yo Chemical qualifies as a foreign investment production enterprise and is located in the western region in Mainland China. As approved by local tax bureau, it is subject to the preferential tax policies for the development of western region with Corporate Income Tax ("CIT") at the rate of 15% in 2013 and 2014.

The applicable income tax rate of other subsidiaries located in Mainland China in 2014 and 2013 is 25%.

In accordance with the corporate income tax laws in Mainland China, a 10% withholding tax will be levied on the dividend declared by the companies established in Mainland China to their foreign investors starting from 1 January 2008.

The amount of taxation charged to the consolidated statement of comprehensive income represents:

	2014	2013
	RMB'000	*RMB'000*
Current income tax for Mainland China	**96**	1,229
Deferred income tax	**(34,146)**	(8,097)
	(34,050)	(6,868)

The taxation on the Group's loss before income tax differs from the theoretical amount that would arise using the taxation rate of 15%, the tax rate of Dazhou KoYo Chemical, the major subsidiary of the Company. The difference is analysed as follows:

	2014	2013
	RMB'000	*RMB'000*
Loss before income tax	**(524,739)**	(64,257)
Tax calculated at a taxation rate of 15% (2013: 15%)	**(78,711)**	(9,639)
Tax rate difference	**(7,370)**	(133)
Expenses not deductible for tax purposes	**55,847**	2,538
Reversal of withholding income tax	**(5,485)**	–
Tax losses for which no deferred income tax was recognised	**1,581**	1,272
Income not subject to tax	**(8)**	(906)
Adjustment in respect of prior years	**96**	–
Taxation	**(34,050)**	(6,868)

7 LOSS PER SHARE

Basic and diluted loss per share (RMB per share)	**(0.2973)**	(0.0396)

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2014	2013
Loss attributable to equity holders of the Company (RMB'000)	**(490,047)**	(57,056)
Weighted average number of ordinary shares in issue (thousands)	**1,648,594**	1,439,057

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: CB and share options. The CB are assumed to have been converted into ordinary shares, and the net loss is adjusted to eliminate the interest expense less the tax effect. For the share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted loss per share.

Potential ordinary shares arising from the assumed conversion of CB and the assumed exercise of share options have not been included in the calculation of diluted loss per share because they are anti-dilutive for the years ended 31 December 2014 and 2013.

(c) Comparatives

Comparative figures have been restated to reflect the effect of Share Consolidation (Note 1).

8 DIVIDEND

The directors do not recommend the payment of an interim dividend and a final dividend for the 6 months ended 30 June 2014 (2013: nil) and the year ended 31 December 2014 (2013: nil).

9 MINING RIGHT — GROUP

The mining right represents the right to conduct mining activities in a phosphate mine located in Sichuan, Mainland China, which has a remaining legal life of 25 years, expiring in 2039.

The Group has not commenced any mining activities, therefore no amortisation was charged in this year.

10 TRADE AND OTHER RECEIVABLES — GROUP

	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**23,140**	10,448
Less: provision for impairment of trade receivables	**(5,241)**	(5,241)
Trade receivables — net	**17,899**	5,207
Notes receivable	**2,112**	3,285
Prepayments for raw materials	**221,411**	217,219
Prepaid input value-added tax	**167,081**	90,003
Due from employees	**8,177**	5,447
Others	**19,140**	39,744
	435,820	360,905

As at 31 December 2014 and 2013, the fair value of trade and other receivables of the Group approximated to their carrying amounts.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. The Group does not hold any collateral as security.

The credit terms of trade receivables granted by the Group are normally within 3 months. The ageing analysis of trade receivables is as follows:

	2014	2013
	RMB'000	*RMB'000*
Less than 3 months	**17,899**	5,207
More than 3 years	**5,241**	5,241
	23,140	10,448
Less: provision for impairment of trade receivables	**(5,241)**	(5,241)
	17,899	5,207

As of 31 December 2014, trade receivables of RMB17,899,000 (2013: RMB5,207,000) that are under credit term were fully performing.

As at 31 December 2014, trade receivables of RMB5,241,000 (2013: RMB5,241,000) were impaired and a total provision of RMB5,241,000 (2013: RMB5,241,000) was provided for. The individually impaired receivables mainly relate to wholesalers, which are in unexpected difficult economic situations. The ageing of these receivables is more than 3 years.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2014	2013
	RMB'000	*RMB'000*
RMB	**431,233**	350,613
HKD	**4,587**	10,292
	435,820	360,905

There are no movements on the provision for impairment of trade receivables during the year.

Notes receivable represents trade related bank acceptance notes with maturity period within 6 months and non-interest bearing.

11 CONVERTIBLE BONDS

On 13 November 2014, the Company issued CB to Asia Pacific, with a principal amount of HKD832,000,000 (equivalent to RMB665,600,000) pursuant to the subscription agreement entered into between the Company and Asia Pacific on 30 July 2014. The CB bears interest at 7% per annum on the principal amount of the CB outstanding from time to time. The CB can be converted into ordinary shares at a conversion price of HKD0.32 from the day immediately following the date of the issue of CB to the maturity date which is 12 November 2024. If the CB have not been converted, they will be redeemed at par on 12 November 2024 in RMB using a pre-determined fixed rate of exchange of RMB1.00 to HKD1.25. Interest will be paid annually in RMB using a pre-determined fixed rate of exchange of RMB1.00 to HKD1.25 until the maturity date.

At 31 December 2014, a portion of CB with a principal amount of HKD325,280,000 had been converted by bondholders into 1,016,500,000 ordinary shares in the Company.

A convertible bond accounted for under share-based payment transactions consists of a liability component and an equity component. The equity component is presented in equity heading "share-based payment reserve". The movement of the liability and equity components during the year is set out below:

	Liability component	**Equity component**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Fair value of CB on grant date	214,988	567,778	782,766
Interest expense accrued	19,651	–	19,651
Fair value change	–	–	–
Converted during the year	(87,010)	–	(87,010)
At 31 December 2014	**147,629**	**567,778**	**715,407**

The difference between the fair value of the CB on grant date and that of the identifiable considerations of RMB117,166,000 is recognised in the administrative expenses.

12 TRADE AND OTHER PAYABLES — GROUP

	2014	2013
	RMB'000	*RMB'000*
Trade payables *(Note a)*	**108,156**	20,075
Notes payable *(Note b)*	**–**	10,703
Construction payable	**266,719**	101,384
Advances from customers	**148,481**	90,590
Advances from purchasers	**131,100**	131,100
Accrued expenses	**18,666**	41,514
Deposits from suppliers	**3,381**	885
Other taxes payable	**2,386**	1,154
Others	**11,541**	22,201
	690,430	419,606

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2014	2013
	RMB'000	*RMB'000*
RMB	**690,310**	419,145
HKD	**120**	461
	690,430	419,606

(a) Trade payables

The ageing analysis of trade payables of the Group is as follows:

	2014	2013
	RMB'000	*RMB'000*
Aged:		
Less than 1 year	**102,322**	16,681
More than 1 year but not exceeding 2 years	**3,702**	2,096
More than 2 years but not exceeding 3 years	**1,059**	1,006
More than 3 years	**1,073**	292
	108,156	20,075

(b) Notes payable

Notes payable represented bank acceptance notes issued by the Group and were interest-free and with maturity dates of less than one year.

13 COMMITMENTS — GROUP

(a) Capital commitments

	2014	2013
	RMB'000	*RMB'000*
Constructions-in-progress:		
Contracted but not provided for	**342,644**	33,758

(b) Commitments under operating leases

The Group leases offices under non-cancellable operating lease agreements. The lease terms are between 1 and 2 years, and the majority of lease agreements are renewable at the end of the period at market rate.

The Group had future aggregate minimum lease payments under non-cancellable operating leases for land and buildings are as follows:

	2014	2013
	RMB'000	*RMB'000*
Not later than 1 year	**800**	135
More than 1 year but not exceeding 2 years	**220**	–
Total operating commitments	**1,020**	135

The Company had no capital commitment and no commitments under operating leases as at 31 December 2014 (2013: Nil).

(c) Operating leases rental receivables

The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of buildings are as follows:

	2014	2013
	RMB'000	*RMB'000*
Not later than 1 year	**1,721**	1,636
More than one year but not exceeding five years	**7,542**	7,256
More than five years	**5,675**	7,683
	14,938	16,575

14 EVENT AFTER THE BALANCE SHEET DATE

Save as the Put Option and new borrowing obtained as described in Note 2.1.1, the Group has the following events after the balance sheet date:

(a) Equity transactions

Subsequent to the balance sheet date and up to the date of approval of the consolidated financial statements, the Company issued 396,125,000 and 5,920,000 ordinary shares upon conversion of the CB and exercise of share options, respectively.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the external auditors of the Company:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

We draw attention to Note 2.1.1 to the consolidated financial statements which states that the Group incurred a consolidated net loss of approximately RMB490,689,000 and had a net operating cash outflows of approximately RMB219,939,000 during the year ended 31 December 2014, and as at that date, the Group's current liabilities exceeded its current assets by approximately RMB803,855,000. These conditions, along with other matters as set forth in Note 2.1.1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

CHAIRMAN'S STATEMENT

TO SHAREHOLDERS

It's my honour to report to you the results of Ko Yo Chemical (Group) Limited (the "Company") together with its subsidiaries (collectively, the "Group") for the year ended 31st December 2014. I wish to express sincere appreciation on behalf of the Board of Directors to all shareholders and friends from all sectors of the society who concern for the development of the Group.

In 2014, the overall economic growth of the PRC slowed down, resulting in a significant decrease of profit. Under such difficult situation, the Group strived for innovation and reforms through adjusting the industrial and project structures of the Company in response to the development trends of the industry and the market. However, due to the industry and market downturn, coupled with the gradual decline in selling price of products, the Group failed to realize its operational objective throughout the year.

For the year ended 31st December 2014, the audited loss attributable to shareholders of the Group amounted to approximately RMB490 million. Basic loss per share amounted to approximately RMB0.2973 (2013: loss of RMB0.0396). The Group's turnover amounted to approximately RMB1,370 million, representing an increase of 2.3% as compared to RMB1,339 million for the same period in 2013. The Group's sales volume (excluding trading) amounted to approximately 532,000 tonnes, representing an increase of approximately 0.2% as compared to 531,000 tonnes of last year.

During the period under review, the ammonia and urea synthesis facilities of Dazhou Plant of the Group maintained stable operation with annual utilization rates amounting to 92% and 93% respectively. The overall energy consumption of ammonia synthesis facilities of the year decreased of 28kg standard coals on average, which was the lowest level in our history. The new ammonia synthesis facilities and methanol synthesis facilities in Guangan plant commenced operation successfully. Driven by the proactive marketing strategy, sales volume and revenue of the Group's products were both higher than those in the corresponding period of the previous year. However, affected by the continuous decrease in international crude oil prices, excessive supply in the industry, rising natural gas prices due to tight supply, economic recession and many other factors, the market remained weak and the product prices fell, wherein the selling prices of both urea and liquid ammonia products were lower than that over the same period of last year. In particular, in the middle of the year, selling price of urea dropped to the lowest level in the past 10 years. Selling price of methanol also dropped significantly as compared with the corresponding period of last year. Affected by the overall decrease in selling prices of products, the selling price of the Company's products was adjusted downward significantly as compared to last year, with a decrease of approximately RMB244 per tonne on average for urea and a decrease of approximately RMB14 per tonne on average for liquid ammonia. Such adjustment resulted in an increase in sales volume of products but a significant decrease in the profits of the Group. Therefore, the operating performance of the Group fell short of the anticipated targets.

Under the pressure of the market downturn and increasing costs of raw materials, the Group has carefully concluded and analyzed the operational situation for the past year and the future market trend, and will make improvement by implementing the following measures:

As to the production:

Firstly, we will effectively organise and coordinate the allocation of production materials such as water, electricity and gas, especially on the negotiation and signing of natural gas supply agreement for the year, in order to maintain the advantages on volume and prices of gas supply for the high utilization and efficient operation of facilities at Dazhou Plant and Guangan Plant. Secondly, for the operation of production facilities, we will strengthen the maintenance and overhaul of equipment to ensure the safe, stable and long-term operation of production facilities. Thirdly, we will further streamline the production flow of Guangan Plant and strive for the early accomplishment of the output targets of ammonia and methanol synthesis facilities. Fourthly, we will further refine our management to effectively lower the overall energy consumption of products in order to lower the production cost and improve the overall operation efficiency of our production facilities. Lastly, we will strive to meet 100% acceptability of all products in terms of production quality, with a top-grade product rate of urea products no less than 97%.

As to the market:

Firstly, we will enhance the collection and compilation of market information as well as market forecast related to the industry, so as to establish our own pricing system and make accurate judgment on and actively respond to all kinds of market changes promptly. Secondly, we will focus on identifying key clients in our core markets (Dazhou and Sichuan) and neighbouring cities and provinces (Chongqing, Yunnan Province, Guizhou Province, Guangdong Province, and Guangxi Province) in order to further enhance brand premium on products and increase market share in core markets. In addition, capitalizing on the network formed by the strategic cooperation with large-scale methanol purchasers in East China, including various international methanol purchasers and traders, for trading and sales established in the second half of 2014, the Group will further expand its penetration in Eastern China. Thirdly, we will focus on the marketing of methanol products in Sichuan and Chongqing to increase the market share of methanol of Ko Yo for higher profit. Fourthly, on the basis of our satisfactory accomplishment of the targets for trading volume of products in 2014, we will continue to expand the proportion of trading volume of our products and develop good relationship with upstream and downstream enterprises through trading in order to facilitate the sales of melamine and polyphenylene sulfide as well as phosphate fertilizers and increase the sales revenue and profitability of trade business of the Company. Lastly, as to brand building, the Company will continue to implement the strategy of building the top brand of urea and strive to win the title of "Sichuan Famous Brand Product" by focusing on product quality as its core value and enhancing after-sales services and quality.

As to the management:

Firstly, we will streamline our structure through continuous reform and reorganisation to increase efficiency. Currently, Dazhou Plant has implemented centralized management while Guangan plant will accelerate the transformation to centralized management. We will also clearly define the management responsibilities by separating the duties of the decision-making management level and the operation management level. Secondly, adhering to the principle of enhancing capital management to minimize cost and maximize efficiency, we will further streamline and refine management workflow so as to upgrade the overall management standard and efficiency and implement modern management of the Company.

Based on the results of the Group for the year under review, the Board does not recommend to distribute any final dividend for the year ended 31st December 2014. For the year ended 31st December 2014, the Group had not declared any dividend (2013: no dividend).

PROSPECT

Industry Review

In 2014, facing complex and difficult macro-economic situations at home and abroad as well as various challenges in the chemical industry including continuous deterioration of the economic performance, excessive production capacity, decreasing market demand, increasing raw material price and declining product price, the adjustment of industrial structure has not completely adapt to market changes and a downward pressure has been rampant in the industry.

According to the latest information from the National Bureau of Statistics, for 2014, the production volume of nitrogen fertilizers of China amounted to 46.52 million tonnes (nutrients, the same below), representing a decrease of 5.6% compared with the corresponding period of last year. Production volume of urea was 32.18 million tonnes, which representing a decrease of 3.5% compared with production volume of 33.33 million tonnes in 2013, representing an increase of 7.1% compared with the production volume of 30.04 million tonnes in 2012. For 2014, nitrogen fertilizer export volume was 13.62 million tonnes, representing an increase of 65% compared with the 8.27 million tonnes in 2013. In 2014, due to excess supply in nitrogen fertilizer market, the urea price remained low. In May, the factory price of urea fell down to RMB1,400 (per tonne, the same below), which was the lowest price in the past decade. The utilization rate of nitrogen fertilizer enterprises maintained at 65% to 80% and the annual production volume of nitrogen fertilizer was 46.52 million tonnes, representing a drop of 3.6% compared with the corresponding period of last year. According to China Nitrogen Fertiliser Industry Association, for 2014, the accumulated loss of nitrogen fertilizer industry amounted to RMB5.66 billion, representing a decrease of 196% compared with last year. There were 164 out of 332 nitrogen fertilizer companies recorded a loss, representing an increase of 34 companies compared with last year, covering 49.4% of the companies suffering from loss.

For the first 11 months of 2014, the production volume of methanol of China amounted to 37.40 million tonnes, representing an increase of 30% as compared with 28.79 million tonnes in the corresponding period of 2013. In 2014, methanol consumption of China was approximately 40.99 million tonnes. The production capacity of methanol of China in 2014 was expected to be 65.00 million tonnes with an average utilization rate of 59%. Affected by the declining market of international crude oil, vigorous competition in futures market and weakened downstream market, the methanol market suffered from severe excessive production capacity and a significant drop in market price.

In recent years, the media, government and general public are increasingly concerned about environmental protection in China and the government has stronger determination and efforts in dealing with pollution and haze abatement. The new "Environmental Protection Law" (環境保護法) of China came into effect on 1st January 2015. The implementation of "the most stringent environmental protection law in history" has brought new opportunities for the development of natural gas chemicals, in particular, the production of methanol by natural gas. Undoubtedly, natural gas is the cleanest raw material for chemical production. The NDRC showed its strong support for the development of natural gas chemicals through substantial reduction of natural gas price to improve the rigorous environmental conditions. During the year, we adopted the following strategies. to tackle the problems of complex and difficult local and overseas macro-economic condition and the unfavourable market environment and severe challenges resulting from the decline of chemicals price (chemical fertilizer and methanol) because of plummeting oil price. We reduced the consumption of materials and energy through technology improvements and management enhancement. Leveraging on our advanced production equipment, we strengthened the competitiveness of the products of Dazhou plant and Guangan plant and take further steps to monitor and explore the new application area of methanol.

On the other hand, we have well prepared for the development of new business and product by investing in the research and development of new technology, production processes and materials since a few years ago. We successfully developed new kiln process for production of phosphoric acid (窯法磷酸新工藝) in cooperation with Changsha Research Institute of Mining and metallurgy of China (中國五礦長沙礦冶研究院). We were granted ten national patents for the technology through Sichuan Ko Chang Technology Co., Ltd., in which Koyo Group owns 55% equity interest. Such technology is internationally advanced and may completely eliminate the problems of high pollution, high consumption and inefficient utilisation of resources of phosphoric acid production. Currently, a number of domestic and overseas phosphate mining and phosphate companies are interested in purchasing this technology. We have also established Sichuan Ko Yo Chemical Sci-tech Development Co., Ltd. to focus on the research and development of new melamine production technology. We have been granted two national patents for such technology. The technology surpasses the traditional processes and technologies generally adopted in China and overseas in terms of environmental protection, energy-saving, resources conservation and product quality. We retained professionals to upgrade and improve the production process of polyphenylene sulphide adopted in China and successfully developed our proprietary technology. The new technology has a competitive edge over the traditional technologies in terms of environmental protection, consumption of materials The quality of our products is generally on par with international advanced standards.

The aforementioned three processes, technologies and materials were adopted in the Dazhou plant and Guangan plant of the Group in the fourth quarter of 2014 and will commence operation in the second half of 2015. The commencement of these projects will completely eliminate the disadvantage of our reliance on natural gas regarding our businesses and products and pave way for our sound development.

In line with the economy growth of China, the position and influence of China in international affairs have become more significant. The PRC government has announced its development strategy of proactive expansion, including the development of "One Belt and One Road", the establishment of Asian Infrastructure Investment Bank and Silk Road Fund. The Group raised a capital of HK$1.1 billion from strategic investor in November 2014. In 2015, the Group entered into option agreement with the investor which can raise additional capital of HK$1.44 billion through issuing convertible bonds. Under such circumstances and our good relationship with the banks (the Group entered into a comprehensive cooperation agreement with the Export-Import Bank of China in the fourth quarter of 2014), the Group will proactively pursue opportunities of overseas expansion as well as local M&A and restructuring for the rapid development of Koyo Group and better rewards for the shareholders.

OBJECTIVES AND STRATEGIES

Although the Group has encountered challenges due to the sluggish chemical fertilizer industry in 2014, we expect that development of ammonia fertilizer market in 2015 will be better than in 2014 due to the favourable factors including a continuous drop in production capacity as compared with the corresponding period of last year due to the low utilization rate and shutdown of some companies caused by the downturn of ammonia fertilizer market for a long period, low inventory level due to significant increase in export, low market price, increase in industrial demand and favourable export policy. In addition, according to "Certain Opinions on Strengthening Reform and Innovation to Accelerate Modernization of Agriculture" (《關於加大改革創新力度加快農業現代化建設的若干意見》) (No.1 Document of the CPC Central Committee) issued by Central Committee of the Communist Party of China and the State Council on 1st February 2015, the government will continue to support the development of agriculture and promote modernized agriculture in China. In particular, special supports will be provided to chemical fertilizer enterprises for technological innovation, which create opportunities for the future development of the Group. Apart from measures taken in response to the above supporting policies to strengthen operation and management, the Group has also formulated comprehensive development strategy and objectives for the whole Group as well as our development path in 2015 so as to capitalize on the changes in market and turn crisis into chances.

The 1st Phase of the Project in Guangan will Achieve Targeted Standard and Output

Our Guangan's project with an annual production of 300,000 tonnes of synthetic ammonia and 500,000 tonnes of methanol has commenced operation successfully on the last quarter of 2014. The formation of our chemical production base in Guangan has laid a solid foundation for our future expansion into refined chemicals and new materials from base chemicals. In 2015, the Group will further optimise the production workflow in order to achieve our targeted standard and output of synthetic ammonia and urea devices.

The 2nd Phase of the Project of Urea and Melamine in Dazhou is Expected to be Completed in the Second Half of 2015

During the year under review, after conducting different researches, the Group restarted the production project with an annual production of 300,000 tonnes of urea and 40,000 tonnes of melamine (the 2nd Phase of the Project in Dazhou). Our new production technology has won numerous technology awards and its performance in energy-saving, environmental protection and circular economy is highly efficient and outstanding. Currently, the project is applying for the supplemental approval for the change in production technology. Preparation for construction of the project has been completed and orders for most equipment have been placed. It is expected that the urea project and melamine project will be completed at the second half of 2015.

Melamine is a downstream product for urea. The production of melamine will further extend the product chain, enhance the products' added value, and optimise the product mix and profitability of the Company. Through the expansion in both capacity and technology upgrade at the 2nd Phase of the Project, it is expected that the annual productivity of Dazhou plant will finally reach 500,000 tonnes of synthetic ammonia, 800,000 tonnes of urea, and 40,000 tonnes of melamine, respectively.

Phosphoric Acid Project is Expected to be Completed at the Second Half of 2015

The phosphoric acid technology developed by Sichuan Ko Chang Technology Co., Ltd, a subsidiary of the Group, has obtained 10 patents from the Chinese State Intellectual Property Office. The project will use phosphate from the phosphate mine located at Qingping Township, Mianzhu City, Sichuan Province owned by Sichuan Chengyuan Chemical Industry Co., Ltd., a wholly-owned subsidiary of the Group to produce 100,000 tonnes 85% industrial phosphoric acid (including food-grade and electronic-grade), 60,000 tonnes sodium tripolyphosphate, 20,000 tonnes industrial ammonium polyphosphate, 20,000 tonnes monoammonium phosphate, 519,200 tonnes by-products of slagging ball and ceramic proppants and 3,600 tonnes industrial sodium fluorosilicate through Guangan Ko Yo Phos-chemical Technology Co., Ltd, a wholly-owned subsidiary of the Group ,at Xinqiao Energy and Chemical Park in Guangan. The annual production value of the project will be RMB1.073 billion, and its profit tax for the year is expected to be RMB296 million. The project will create 524 new positions.

The first phase of the project includes a demonstrative facility with a production capacity of 50,000 tonnes 85% industrial phosphoric acid with an investment amounting to approximately RMB315 million. Feasibility report of the project has been completed and we are applying for the preliminary approval of the project. All preparatory works for the construction of the project has been completed. It is expected that the project will be completed at the second half of 2015. Phosphate from low grade phosphate mine will be used by the project directly in response to the government policy to increase the utilization rate of low-grade phosphate mine. The production technology used will allow an energy-saving, environmentally friendly, clean and highly efficient production of phosphoric acid. Upon completion, the facility will become the first phosphoric acid facility in China and even in the world, which will become a new growth point for the business of the Company.

Polyphenylene Sulfide Project is Expected to be Completed at the Second Half of 2015

The construction of fiber polyphenylene sulfide project, a project located at the chemical production base in Guang'an of the Group with 3,000 tons annual production capacity, commenced on 15th August 2014. The relevant approval procedures of the project have been completed and the Group has ordered standard equipment and primary non-standard equipment. The floor plan of the site has been finalized and we are undergoing surveying. The design of separated drawings for the construction of production building, maintenance workshops, warehouses, looping water station and sewage treatment plant has been completed and delivered. Site preparation for the project has been completed and site construction has commenced. After the completion of the project, the vacancy of polyphenylene sulfide in domestic market will be filled, representing an important step of the Company in new material segment and a new growing momentum of the Company.

In respect of project financing and capital sources, the Company entered into a placing agreement of shares and convertible bonds with Asia Pacific Resources Development Investment Limited on 30th July 2014. Pursuant to the agreement, the Company issued 800,000,000 shares and convertible bonds of HK$832,000,000, and the proceeds from the issue were used as working capital of the Group. In addition, the Company entered into a put option agreement with the Subscriber, Asia Pacific Resources Development Investment Limited on 18th January 2015, pursuant to which, the Company at any time during the Put Option Period, on one or more than one occasion, to require the Subscriber to subscribe from the Company the Convertible Bonds in the aggregate principal amount of no more than HK$1,440,000,000. The proceeds were used to fund the capital expenditure working capital of projects to ensure smooth construction.

APPRECIATION

Looking back to the past year, amid the complex economic situation at home and abroad and the difficult dilemma of the industry, the Group has maintained safe and steady production with long cycle at Dazhou Plant, and commenced operation of the 1st Phase of the Project in Guangan smoothly under the leadership of all members of our Management. In the new year, we will continue to make breakthroughs and pursue transformation in light of the decisions and development ideas of the Management of the Company, adjust the industrial and product mix of the Company, and use all efforts to respond to the development trend of the industry and market, so as to continuously enhance the comprehensive competitiveness of the Company in the future.

I would like to take this opportunity to express my sincere appreciation on behalf of all fellow members of the Board to all shareholders, our clients, the management and the staff. Thank you for your accompany and full support. We will strive to bring more benefits and returns to our shareholders and the society.

Li Weiruo
Chairman

25th March 2015

BUSINESS REVIEW

FINANCIAL PERFORMANCE

Results

For the year ended 31st December 2014, the Group remained focused on manufacture and distribution of chemical fertilizers and chemical products, including BB Fertilizers and complex fertilizers, urea and ammonia.

During the year under review, the Group recorded turnover of approximately RMB1,370 million, an increase of 2.3% as compared to last year. The loss attributable to shareholders of the Company amounted to approximately RMB490 million, representing an increase a loss of approximately RMB433 million as compared to last year. Basic loss per share amounted to approximately RMB0.2973.

Cost and profit margin

Cost of sales of the Group amounted to approximately RMB1,358 million, representing an increase of 13.0% as compared to the figure in 2013. The major reasons of increase in cost of sales were due to the increase in trading portion and the increase in natural gas price.

Gross profit margin of the Group decreased approximately from 10.2% in 2013 to 0.9% in 2014. The decrease in the gross profit margin was due to the decrease in selling price of products and the increase in natural gas price.

During the year under review, distribution costs increased approximately by 26% as compared with last year. The ratio of the distribution costs over sales was 5.0% in 2014 which was 1% higher than those in 2013.

In comparison with last year, there was an increase in administrative expenses of the Group by approximately 195.7% from RMB73.8 million in 2013 to RMB218.4 million in 2014. The increase in administrative expenses is mainly due to the loss on convertible bonds (RMB117 million).

The Group's income tax benefit in 2014 amounted to approximately RMB34.05 million. Details of tax schemes are set out in Note 6 to consolidated financial statements.

Dividends

Considering the Group's result during the year under review, the Directors do not recommend the payment of any final dividend for the year ended 31st December 2014. The Group has not declared any dividend for the year ended 31st December 2014 (2013: Nil).

PRODUCTS

Sales of the Group's products for the year 2013 and 2014 are as follows:

	Turnover in year 2014		Turnover in year 2013		**Percentage Change in turnover**
		Composite		*Composite*	
	RMB'000	*%*	*RMB'000*	*%*	*%*
BB & compound fertilizers	**80,000**	**5.8**	86,000	6.4	(7.0)
Urea	**625,000**	**45.6**	730,000	54.5	(14.4)
Ammonia	**187,000**	**13.6**	186,000	13.9	0.5
Others	**478,000**	**35.0**	337,000	25.2	41.8

During the year under review, due to the decrease in selling price of our products, the turnover of urea and BB & compound fertilizers in year 2014 was decreased as compared with those in year 2013.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st December 2014, the Group had net current liabilities of approximately RMB803,855,000. Current assets as at 31st December 2014 comprised cash and bank deposits of approximately RMB498,099,000, pledged bank deposits of approximately RMB689,603,000, inventories of approximately RMB62,327,000, trade receivables of approximately RMB17,899,000 and prepayments and other current assets of approximately RMB624,260,000. Current liabilities as at 31st December 2014 comprised short-term borrowings of approximately RMB1,719,041,000, short-term portion for long-term borrowings of approximately RMB286,572,000, trade and notes payables of approximately RMB108,156,000, advances from customers of approximately RMB148,481,000 and accrued charges and other payables of approximately RMB433,793,000. Details of the Group's adoption of going concern basis in preparing the consolidated financial statements is set out in Note 2.1 to the consolidated financial statements.

CAPITAL COMMITMENTS

As at 31st December 2014, the Group had outstanding capital commitments of approximately RMB343,000,000. Details of the Group's capital commitments are set out in Note 13 to the consolidated financial statements.

FINANCIAL RESOURCES

As at 31st December 2014, the Group had cash and bank deposits of approximately RMB498,099,000 and pledged bank deposits of approximately RMB689,603,000. The Company intends to finance the Group's future operations, capital expenditure and other capital requirements with the existing bank balances and the capital market.

As at 31st December 2014, the total borrowings and notes payable balances of the Group amounted to RMB2,802,064,000.

GEARING RATIO

The Group's gearing ratios were approximately 48% and 65% as at 31st December 2014 and 31st December 2013 respectively. The gearing ratios were calculated as net debt divided by total capital as at the respective balance sheet dates.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31st December 2014.

MATERIAL ACQUISITION/DISPOSAL

There was no material acquisition or disposal in the year 2014 which would have been required to be disclosed under the Rules Governing the Listing of Securities ("Listing Rules") on Stock Exchange.

SEGMENTAL INFORMATION

The Group activities are primarily conducted in the PRC. The Group's turnover and profit are generated from manufacturing and sale of chemical products and chemical fertilisers, no segment information is therefore present in the consolidated financial statements.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Other than the phase II of the Dazhou plant, the Guangan plant, the phosphoric acid plant and the polyphenlyene sulfide plant as stated in the circular dated 22nd September 2014, the Directors do not have any future plans for material investment.

CHARGES ON THE GROUP'S ASSETS

As at 31st December 2014, certain land use rights with a total net book value of approximately RMB12,004,000 (2013: RMB45,094,000), property, plant and machinery and construction in progress with a total net book value of approximately RMB908,107,000 (2013: RMB1,390,511,000), and bank deposits approximately RMB689,603,000 (2013: RMB1,726,298,000) were pledged as collateral for the Group's borrowings and notes payable.

DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended 31st December 2014.

NUMBER OF EMPLOYEES

As at 31st December 2014, the Group had 797 (2013: 827) employees, comprising 8 (2013: 6) in management, 132 (2013: 123) in finance and administration, 602 (2013: 646) in production and 55 (2013: 52) in sales and marketing, 791 (2013: 821) of these employees were located in the PRC and 6 (2013: 6) were located in Hong Kong.

AUDIT COMMITTEE

The Company established an audit committee on 10th June 2003 and has adopted the term of reference in line with the Code on Corporate Governance Practice issued by the Stock Exchange. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company and provide advice and comments to the Directors. The audit committee has three members comprising the three Independent Non-Executive Directors, namely, Mr. Hu Xiaoping, Mr. Woo Che-wor, Alex and Mr. Qian Laizhong.

The audit committee has reviewed with management the accounting principles and practices adopted by the Company and the Group and discussed internal controls and financial reporting matters including a review of the audited financial statements of the Company and the Group for the year ended 31st December 2014.

AUDITORS' PROCEDURES PERFORMED ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PricewaterhouseCoopers on this announcement.

CORPORATE GOVERNANCE PRACTICES

The board of directors ("Board") believes that by adopting high standard of corporate governance practices can improve the transparency and accountability of the Company, and instill confidence of shareholders and the public in the Group. Throughout the year under review, the Board adopted the Code on Corporate Governance Practices (the "Corporate Governance Code") as set out in Appendix 14 of the Listing Rules and the Company has complied with the Corporate Governance Code.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year under review.

By Order of the Board
Ko Yo Chemical (Group) Limited
Li Weiruo
Chairman

Hong Kong 25th March 2015

As at the date of this announcement, the board of Directors comprises seven executive directors, being Mr. Li Weiruo, Mr. Yuan Bai, Ms Chi Chuan, Ms Man Au Vivian, Mr. Li Shengdi, Mr. Li Feng and Mr. Li Ciping, and four independent non-executive Directors of Mr. Hu Xiaoping, Mr. Woo Che-Wor, Alex, Mr. Qian Laizhong and Mr. Sun Tongchuan.