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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: 00827)

**SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

Reference is made to the annual report of Ko Yo Chemical (Group) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2020 (the “**Annual Report**”). Unless otherwise defined herein, capitalized terms used in this announcement have the same meanings as those used in the Annual Report.

In addition to the information provided in the Annual Report, the Board would like to provide further information in relation to the disclaimer of opinion issued by the auditors of the Company (the “**Auditors**”) in relation to the consolidated financial statements of the Group for the year ended 31 December 2020.

DISCLOSURE ON GOING CONCERN AND MITIGATION MEASURES IN CORPORATE GOVERNANCE PRACTICES

As disclosed in Notes 2 and 40 to the consolidated financial statements for the year ended 31 December 2020, and the section headed “GOING CONCERN AND MITIGATION MEASURES” in the Corporate Governance Practices in the Annual Report, there were uncertainties which may cast significant doubt regarding the Group’s ability to continue as a going concern, and the measures undertaken by the Group to improve its liquidity and financial positions.

In addition to the measures undertaken by the Group to improve its liquidity and financial positions in the Annual Report, the expected completion of the Group's new production line for PBAT within 2021 and the development of other new projects as stated in the Chairman's Statement in the Annual Report, would further strengthen the liquidity and financial positions of the Group, and enhance the Group's position which would facilitate the negotiation and resolution of the various disputes with banks. As at the date of this announcement, it is anticipated that the PBAT production line and the new projects would make the following financial contributions to the Group:

Projects	Major products	Expected Sales (in RMB)	Expected payback period (in year)
New Material Plant in Guangan	PBAT and PBS	8 billion	2
Chemical Plant in Dazhou	Dimethyl Carbonate	2.9 billion	4
Chemical Plant in Guangan	Nylon 66	18.8 billion	4

Please refer to the section headed "6. INTENDED USE OF PROCEEDS AND REASONS FOR THE ISSUE OF THE CONVERTIBLE BONDS" in the circular dated 16 October 2019, and the section headed "7. PROPOSED CHANGE IN USE OF PROCEEDS" in the circular dated 4 December 2020 of the Company.

AUDITORS' VIEW ON THE DISCLAIMER OF OPINION

The Auditors is of the view that the going concern and mitigation measures undertaken by the Company could address the underlying matters leading to the Disclaimer of Opinion. For the year ending 31 December 2021, had the facts and circumstances remained the same and on the basis that the Group can successfully complete and implement the Company's plan to improve the Group's financial position, to provide liquidity and cash flows, the disclaimer is expected to be removed in the coming financial statements.

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
Ko Yo Chemical (Group) Limited
Chairman
Tang Guoqiang

Hong Kong, 10 May 2021

As at the date of this announcement, the Board comprises three executive directors, being Mr. Tang Guoqiang, Mr. Shi Jianmin and Mr. Zhang Weihua, and three independent non-executive directors being Mr. Hu Xiaoping, Mr. Shi Lei and Mr. Xu Congcai.