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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 2021

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 2021 (the “**Annual Report**”). Unless otherwise defined herein, capitalized terms used in this announcement have the same meanings as those used in the Annual Report.

DISCLAIMER

The Board would like to provide further updates on the disclaimer of opinion (the “**Disclaimer**”) 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 2021.

As disclosed in Notes 2 and 41 of the consolidated financial statements for the year ended 31 December 2021, and the section headed “GOING CONCERN AND MITIGATION MEASURES” in the Corporate Governance Practices in the Annual Report, there were material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern.

Actions taken to address the Disclaimer

In addition to the measures taken by the Group to improve its liquidity and financial positions as disclosed in the section headed “The Group will continue stabilising and optimising existing businesses and focus on benefits to promote fine management to achieve a safe, eco-friendly and long-term stable operation” in the Chairman’s Statement in the Annual Report, the Group has taken the following measures to further enhance the financial positions of the Group since the publication of the annual report of the Company for the year ended 31 December 2020:

- (a) the Company entered into the third supplemental deed with Mr. Tang Guoqiang on 25 June 2021 in respect of the issuance of the convertible bonds to extend the long stop date and the subscription period, which would, among others, alleviate the financial pressure on the Company and the issuance of convertible bonds was completed on 30 November 2021; and

- (b) the Company allocated the proceeds raised from the issuance of the convertible bonds in developing the various production lines with a view to generate more positive cash flow and strengthen the Group's financial position in the long run.

As a result of the measures undertaken, the Group has improved its operating results and financial positions. For further details, please refer to the positive profit alert announcement dated 5 August 2022 of the Company; and the interim results announcement for the six months ended 30 June 2022 dated 26 August 2022 (the “**Interim Results Announcement**”).

The Group will continue to undertake active measures to improve its liquidity and financial positions and to control the administrative and production costs.

Update on loan with Bank of Dalian

Further to the publication of the Interim Results Announcement which set out, among others, updates on the negotiation and restructuring of loans with banks, on 31 August 2022, Dazhou Ko Yo Chemical and Bank of Dalian have entered into a settlement agreement, pursuant to which the parties agreed to extend the repayment schedule of the aggregate remaining principal loan amount of RMB69,600,000.

Auditors' view on the Disclaimer

The Auditors are of the view that the Company's plan to improve the Group's financial position, to provide liquidity and cash flows, could address the underlying matters leading to the Disclaimer. Furthermore, the Auditors consider that if there is no material change in the Group's financial status (as disclosed in the Annual Report) for the year ending 31 December 2022, and on the basis that the Group successfully completes and implements the Company's plan, the Disclaimer is expected to be removed from the Group's consolidated financial statements for the year ending 31 December 2022.

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, 6 September 2022

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. Xu Congcai and Mr. Le Yiren.