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Ko Yo Ecological Agrotech (Group) Limited

玖源生態農業科技(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0827)

**SUBSCRIPTION OF NEW SHARES
AND
ISSUE OF WARRANTS
AND
DISCLOSURE PURSUANT TO RULE 13.18 IN RESPECT OF
LOAN AGREEMENT WITH SPECIFIC PERFORMANCE COVENANT
AND
RESUMPTION OF TRADING**

Financial Adviser



海通融資(香港)有限公司
HAI TONG CAPITAL (HK) LIMITED

SUBSCRIPTION OF NEW SHARES

On the terms and subject to the conditions of the Subscription Agreement, IFC agrees to subscribe and pay for an aggregate of 650,000,000 fully paid and non-assessable Subscription Shares (subject to adjustment) at the Subscription Price.

The initial 650,000,000 Subscription Shares under the Subscription represent (i) approximately 10.17% of the existing issued share capital of the Company of 6,394,400,000 Shares; and (ii) approximately 9.23% of the Company's issued share capital of 7,044,400,000 Shares as enlarged by the Subscription.

The Subscription is conditional upon, among others, the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares and the Warrant Shares, and IFC has received a counterpart of each of the Transaction Documents, duly executed and delivered by the parties, all of which are fully effective and unconditional.

Completion of the Subscription is subject to the satisfaction of the conditions precedent in the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

ISSUE OF WARRANTS

Subject to the performance of the obligations of IFC under the Subscription Agreement, on the Closing Day, the Company will issue to IFC the Warrants at nil consideration with such rights and obligations as detailed in the Warrant Instrument.

The Initial Exercise Price is equal to 130% of the Signing Price. Based on the Signing Price of HK\$0.12, the Initial Exercise Price is HK\$0.156. Assuming (i) exercise in full of the subscription rights attaching to the Warrants; (ii) the Closing Price is not less than the Signing Price; and (iii) no Shares are further issued or repurchased, based on 650,000,000 Subscription Shares to be issued and allotted at the Signing Price of HK\$0.12 and the Initial Exercise Price of HK\$0.156, 500,000,000 Warrant Shares will be issued and allotted under the Warrants, representing (a) approximately 7.82% of the issued share capital of the Company as at the date of this announcement; and (b) approximately 6.63% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and Warrant Shares.

The subscription rights attaching to the Warrants may be exercised by IFC at any time and from time to time within 5 years period starting from the Closing Day.

The Exercise Price and the Entitlement are subject to adjustments.

The Warrants and all rights thereunder are transferable in accordance with the Warrant Instrument without charge to IFC and without the consent of the Company.

DISCLOSURE PURSUANT TO RULE 13.18 IN RESPECT OF LOAN AGREEMENT WITH SPECIFIC PERFORMANCE COVENANT

Pursuant to the Loan Agreement, IFC agrees to lend, and the Borrower, agrees to borrow the Loan.

Pursuant to the Loan Agreement, it will be an event of default if, among other things, any of the Founding Shareholders accepts or gives an irrevocable undertaking to accept any offer (as defined in the Takeovers Code) made pursuant to the Takeovers Code. If an event of default occurs and is continuing, the Loan, all interest accrued on it and such other amount payable under the Loan Agreement will become immediately due and payable upon IFC's notice.

APPLICATION FOR LISTING

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and the Warrant Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

USE OF PROCEEDS

The entire net proceeds from the Subscription, of approximately HK\$76 million, are intended to be used for the investment in the New Urea Plant. Assuming the exercise in full of the subscription rights attaching to the warrants at the Initial Exercise Price, the proceeds from the warrant shares are expected to be HK\$78 million, which are intended to be used for investment and operation in the New Urea Plant. The Loan will be used to finance the projected costs for the completion of the construction and operation of the New Urea Plant.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 17 April 2009 pending the release of this announcement. Trading in the Shares on the Stock Exchange will resume from 9:30 a.m. on 20 April 2009.

SUBSCRIPTION OF NEW SHARES

Date

16 April 2009

Issuer

The Company

Subscriber

International Finance Corporation.

International Finance Corporation is a member of the World Bank Group and was established in 1956 to foster sustainable economic growth in developing countries by financing private sector investment, mobilizing capital in the international financial markets, and providing advisory services to businesses and governments.

To the best of the Director's knowledge, information and belief having made all reasonable enquiry, the Subscriber is a third party independent of and not connected with the Company and its connected persons.

Number of Subscription Shares

On the terms and subject to the conditions of the Subscription Agreement, IFC agrees to subscribe and pay for an aggregate of 650,000,000 fully paid and non-assessable Subscription Shares (subject to adjustment) at the Subscription Price.

The initial 650,000,000 Subscription Shares under the Subscription represent (i) approximately 10.17% of the existing issued share capital of the Company of 6,394,400,000 Shares; and (ii) approximately 9.23% of the Company's issued share capital of 7,044,400,000 Shares as enlarged by the Subscription.

Based on the minimum Subscription Price of HK\$0.11214, the maximum number of Subscription Shares is approximately 695,559,123 Shares representing (i) approximately 10.88% of existing issued share capital of the Company; and (ii) approximately 9.81% of the Company's issued share capital as enlarged by the Subscription.

The Subscription Price

The Subscription Price is determined as follows:

- (i) if the Benchmarked Price is equal to HK\$0.120 or less, the Subscription Price will be the Benchmarked Price;
- (ii) if the Benchmarked Price is in the range of HK\$0.121 to HK\$0.149, the Subscription Price will be HK\$0.12;
- (iii) if the Benchmarked Price is HK\$0.150 or above, the Subscription Price will be 80.1% of the Benchmarked Price;

(the applicable price being the "Signing Price")

provided that if the Closing Price is less than the Signing Price:

- (i) then the Subscription Price shall be the Closing Price, provided further that if the Closing Price represents a discount of 20% or more to the Benchmarked Price, then the Subscription Price shall be 80.1% of the Benchmarked Price; and
- (ii) the number of Subscription Shares shall be increased to be equal to the Hong Kong Dollar equivalent (for this purpose, the fixed exchange rate of one US Dollar to 7.8 Hong Kong Dollars shall be applied) of ten million US Dollars (US\$10,000,000) divided by the Subscription Price.

Provided further that the maximum interest that IFC will acquire pursuant to the Subscription shall not exceed 9.99% of the Company's issued shares capital as enlarged by the Subscription.

The Signing Price of HK\$0.12 represents:

- (i) a discount of approximately 14.29% to the closing price of HK\$0.14 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 4.76% to the average closing price of HK\$0.126 per Share in the last 5 trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 4.00% to the average closing price of HK\$0.125 per Share in the last 10 trading days up to and including the Last Trading Day.

The Subscription Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Subscriber. The Directors consider that the terms of the Subscription are on normal commercial terms and are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

Based on the Benchmarked Price of HK\$0.14, the minimum Subscription Price is HK\$0.11214.

The Aggregate Subscription Price under the Subscription is HK\$78,000,000.

Based on the Signing Price of HK\$0.12, the net price for each Subscription Share is approximately HK\$0.117.

Ranking of the new Shares

The Subscription Shares will, upon issue, rank pari passu in all respects among themselves and with the then existing Shares including the right to receive all dividends and distributions declared, paid or made on or after the date of completion of the Subscription.

Conditions of the Subscription

The obligations of the Subscriber to subscribe for and pay for the Subscription Shares under the Subscription Agreement are conditional upon, among others:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares and the Warrant Shares;
- (ii) the Company has delivered to IFC a company disclosure schedule in form and substance satisfactory to IFC, and the representations and warranties made by the Company, including the most recent company disclosure schedule, and in any schedule, exhibit or certificate delivered by the Company pursuant to the Subscription Agreement, are true and correct on and as of the date of the Subscription and in form and substance satisfactory to IFC;
- (iii) nothing has occurred which has or may reasonably be expected to have a Material Adverse Effect; and
- (iv) IFC has received a counterpart of each of the Transaction Documents, duly executed and delivered by the parties, all of which are fully effective and unconditional.

Termination

Both the Company and IFC shall provide their respective best efforts and assistance in fulfilling and satisfying the conditions of the Subscription. Should any of the conditions remain unsatisfied or have not been waived (other than the condition referred in paragraph (i) under the heading “Conditions of the Subscription” above) by IFC on or before 31 December 2009 (or such other date as the parties may agree), the Subscription Agreement shall automatically terminate and neither the Company nor IFC shall have any further rights and obligations thereunder save and except any antecedent breach.

Cancellation of Subscription

IFC may, by written notice to the Company, cancel the right of the Company to request IFC to subscribe for any Subscription Shares if:

- (a) at any time, in the reasonable opinion of IFC, a Material Adverse Effect has occurred or there exists any situation which indicates that performance by the Company of its obligations under any of the Transaction Documents cannot be expected;

(b) the Company has breached certain of its obligations as set out in the Subscription Agreement and such breach has not been cured within thirty (30) days following receipt by the Company of notice of such breach from IFC; or

(c) in any case, upon 31 December 2009.

Completion of the Subscription

Subject to the terms of the Subscription Agreement and the satisfaction of the conditions of the Subscription, the Company may request IFC to subscribe for, and IFC is obliged to subscribe for all of the Subscription Shares by delivering to IFC, at least ten (10) Business Days prior to the Closing Day, a request in the form set out in the Subscription Agreement.

IFC may, at any time before the cancellation of the Subscription, at its option, subscribe for the Subscription Shares by providing seven (7) Business Days' prior written notice to the Company.

Completion of the Subscription is subject to the satisfaction of the conditions precedent in the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

ISSUE OF WARRANTS

Subject to the performance of the obligations of IFC under the Subscription Agreement, on the Closing Day, the Company will issue to IFC the Warrants at nil consideration with such rights and obligations as detailed in the Warrant Instrument. The Warrants will rank pari passu in all respects among themselves.

Exercise Period

The subscription rights with respect to the Warrants may be exercised by IFC at any time and from time to time within 5 years period starting from the Closing Day.

Exercise Price

The Exercise Price is the Initial Exercise Price as of the date of the Warrant Instrument (as the same may be adjusted from time to time in accordance with the provision of the Warrant Instrument). The Initial Exercise Price is equal to 130% of the Signing Price. Based on the Signing Price of HK\$0.12, the Initial Exercise Price will be HK\$0.156.

The Board considers that the Initial Exercise Price is fair and reasonable, which was determined after arm's length negotiations between the Company and the Subscriber.

Warrant Shares

The Entitlement, which is the total number of Warrant Shares the Subscriber is entitled, will equal to the HK\$ equivalent of US\$20,000,000 minus the Aggregate Subscription Price, and then divided by the Initial Exercise Price.

Assuming (i) exercise in full of the subscription rights attaching to the Warrants; (ii) the Closing Price is not less than the Signing Price; and (iii) no Shares are further issued or repurchased, based on 650,000,000 Subscription Shares to be issued and allotted at the Signing Price of HK\$0.12 and the Initial Exercise Price of HK\$0.156, 500,000,000 Warrant Shares will be issued and allotted under the Warrants, representing (a) approximately 7.82% of the issued share capital of the Company as at the date of this announcement; and (b) approximately 6.63% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and Warrant Shares. Accordingly, the issue of the Warrants is in compliance with Rule 15.02(1) of the Listing Rules.

Ranking of the Warrant Shares

The Warrant Shares will rank pari passu in all respects among themselves and with the then existing issued Shares of the Company.

Adjustments to Exercise Price and Entitlement

The Exercise Price is subject to adjustments in each of the following cases (the detailed provisions are set out in the Warrant Instrument):

- (i) there shall be an alteration to the par value of the Shares by reason of any consolidation or subdivision or reclassification of the Shares;
- (ii) the Company issues any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or any capital redemption reserve fund);
- (iii) the Company issues any Shares or securities (other than the grant of options and exercise of the subscription rights attaching to the options granted pursuant to the Company's share option scheme adopted on 23 June 2003 under Chapter 23 of the Rules Governing the Listing of Securities on the Growth Enterprise

Market of the Stock Exchange and the share option scheme adopted by the Company on 18 September 2008 pursuant to Chapter 17 of the Listing Rules) which by their terms are convertible into or exchangeable for or carrying rights of subscription for Shares:

- (a) at a price per Share which is less than the then Current Market Price; or
- (b) at a price per Share which is equal to or greater than the then Current Market Price, IFC shall have the right (but not the obligation) to participate on a pro rata basis, on the same terms (as nearly as practicable), in such issue of Shares or securities (calculated on the assumption that IFC had exercised its Subscription Right in full on the day immediately preceding the date of such issue) in the same proportion of the total issue as IFC's notional shareholding (assuming that IFC had exercised its Subscription Right in full) in the Company bears to the entire issued share capital of the Company immediately prior to such issue; or
- (iv) if the Company at any time or from time to time prior to the full exercise of the Subscription Right by IFC shall take any action affecting its share capital, the Shares or any securities convertible into or exchangeable for or carrying rights of subscription for Shares similar to or having an effect similar to any of the actions described above.

If the Exercise Price is adjusted in accordance with the Warrant Instrument, the Entitlement of IFC in force immediately prior thereto shall be adjusted in accordance with the Warrant Instrument.

Unless otherwise provided for in the Warrant Instrument, any amount or calculation required to be determined in respect of the aforesaid adjustments shall be referred to and determined by an internationally recognised and reputable accounting firm nominated by IFC and appointed by the Company.

All adjustments to the Exercise Price and/or the Entitlement shall be carried out only if such adjustments are allowed by and are in compliance with all applicable laws, rules and regulations.

Transferability

Subject to compliance with the applicable laws, the Warrants and all rights thereunder are transferable in accordance with the Warrant Instrument without charge to IFC (except for transfer taxes, if applicable) and without the consent of the Company.

General Mandate

If at any time when the subscription right attaching to the Warrants is to be exercised, the number of Warrant Shares to be issued and allotted in respect of the Entitlement, either as at the Closing Day or after any adjustment pursuant to adjustments clauses in the Warrant Instrument together with the number of Shares issued and allotted pursuant to the Subscription exceeds the limit of the General Mandate (such excess number of Warrant Shares shall be referred to as the “**Excess Warrant Shares**”), the Company shall, at the option of IFC (after discussing with the Company in good faith):

- (i) seek the consent of the Shareholders in general meeting for the issue of the Excess Warrant Shares; or
- (ii) to the extent permitted by applicable laws and the Stock Exchange, issue to IFC separate warrants with a right to subscribe for up to the number of the Excess Warrant Shares pursuant to a valid and outstanding general mandate of the Company; or
- (iii) upon failure to obtain Shareholders’ consent in (i) and issue of separate warrants under (ii) above at the election of IFC pay in cash in lieu of issuing and allotting the Excess Warrant Shares an amount for each Excess Warrant Share equal to the then Current Market Price less the Exercise Price.

DISCLOSURE PURSUANT TO RULE 13.18 IN RESPECT OF LOAN AGREEMENT WITH SPECIFIC PERFORMANCE COVENANT

Pursuant to the Loan Agreement, IFC agrees to lend, and the Borrower agrees to borrow the Loan. IFC’s obligation to disburse the Loan is conditional upon, among others, the closing of the Subscription and the perfection of certain security granted by members of the Group.

The Borrower shall repay the Loan in 14 installments on the each of the 14 Repayment Dates starting from 15 June 2011 and ending on 15 December 2017.

Pursuant to the Loan Agreement, it will be an event of default if, among other things, any of the Founding Shareholders accepts or gives an irrevocable undertaking to accept any offer (as defined in the Takeovers Code) made pursuant to the Takeovers Code. If an event of default occurs and is continuing, the Loan, all interest accrued on it and such other amount payable under the Loan Agreement will become immediately due and payable upon IFC’s notice.

GENERAL MANDATE TO ISSUE SUBSCRIPTION SHARES AND WARRANT SHARES

The Subscription Shares and the Warrant Shares will be issued and allotted under the General Mandate refreshed at the EGM, which granted to the Directors to allot and issue Shares up to 20% of the total number of Shares in issue. Based on the total number of Shares in issue on the date of the EGM, which was 6,394,400,000 Shares, the maximum amount of Shares that may be allotted and issued pursuant to the General Mandate is 1,278,880,000 Shares. As at the date of this announcement, the General Mandate has not been utilized.

APPLICATION FOR LISTING

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and the Warrant Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

EFFECT ON THE SHAREHOLDING FOLLOWING COMPLETION OF THE SUBSCRIPTION AND EXERCISE IN FULL OF THE SUBSCRIPTION RIGHTS ATTACHING TO THE WARRANTS

The shareholding in the Company (i) as at date of this announcement; (ii) after completion of the Subscription; (iii) upon the exercise in full of the subscription rights attaching to the Warrants (assuming no adjustments are made) and (iv) based on the maximum Subscription Shares are summarized as follows:-

| Shareholders | Issued share capital as at the date of this announcement | | Enlarged Issued share capital following completion of the Subscription (Note 1) | | Issued share capital immediately after Subscription and exercise in full of the subscription rights attaching to the Warrants (Note 2) | | Issued share capital immediately after Subscription and exercise in full of the subscription rights attaching to the Warrants (Note 3) | |
|---------------------------------|--|--------|---|--------|--|--------|--|---------|
| | Shares | % | Shares | % | Shares | % | Shares | % |
| | <i>(Approximately)</i> | | <i>(Approximately)</i> | | <i>(Approximately)</i> | | <i>(Approximately)</i> | |
| Li Weiruo | 2,924,440,000 | 45.73 | 2,924,440,000 | 41.51 | 2,924,440,000 | 38.76 | 2,924,440,000 | 38.53% |
| Yuan Bai | 366,464,000 | 5.73 | 366,464,000 | 5.20 | 366,464,000 | 4.86 | 366,464,000 | 4.83% |
| Chi Chuan | 62,640,000 | 0.98 | 62,640,000 | 0.89 | 62,640,000 | 0.83 | 62,640,000 | 0.83% |
| Man Au Vivian | 31,320,000 | 0.49 | 31,320,000 | 0.45 | 31,320,000 | 0.42 | 31,320,000 | 0.41% |
| Pinpoint Asset Management Group | 790,000,000 | 12.36 | 790,000,000 | 11.21 | 790,000,000 | 10.47 | 790,000,000 | 10.41% |
| <i>Public Shareholders</i> | | | | | | | | |
| IFC | — | — | 650,000,000 | 9.23 | 1,150,000,000 | 15.24 | 1,195,559,123 | 15.75% |
| Other Shareholders: | 2,219,536,000 | 34.71 | 2,219,536,000 | 31.51 | 2,219,536,000 | 29.42 | 2,219,536,000 | 29.24% |
| Total | 6,394,400,000 | 100.00 | 7,044,400,000 | 100.00 | 7,544,400,000 | 100.00 | 7,589,959,123 | 100.00% |

Notes:

1. Based on the initial 650,000,000 Subscription Shares are issued and allotted.
2. Assuming the exercise in full of the subscription rights attaching to the Warrants and the Closing Price is not less than the Signing Price and based on 650,000,000 Subscription Shares are allotted and issued at the Signing Price of HK\$0.12 and the Initial Exercise Price of HK\$0.156.
3. Assuming the exercise in full of the subscription rights attaching to the Warrants and based on maximum number of 695,559,123 Subscription Shares.

REASONS FOR THE SUBSCRIPTION OF NEW SHARES, ISSUE OF WARRANTS AND LOAN AGREEMENT AND USE OF PROCEEDS

The Company is an investment holding company and the principal activities of the Group include research and development, manufacture, marketing and distribution of chemical fertilizers and chemical products in the PRC. As at 30 June 2008, the cash balance of the Group was approximately RMB129.5 million and the Group's short-term bank loans amounted to approximately RMB166 million as published in the Company's interim report.

The Directors consider that the Subscription, the issue of the Warrants and potential subscription of the Warrant Shares will strengthen the capital base and the financial position of the Company. The entire net proceeds from the Subscription, of approximately HK\$76 million, are intended to be used for the investment in the New Urea Plant. Assuming the exercise in full of the subscription rights attaching to the warrants at the Initial Exercise Price, the proceeds from the warrant shares are expected to be HK\$78 million, which are intended to be used for investment and operation in the New Urea Plant. The Loan will be used to finance the projected costs for the completion of the construction and operation of the New Urea Plant.

In view of the reasons above, the Directors are of the view that and the Subscription and issue of Warrants are in the interests of the Company and its shareholders as a whole and the terms are fair and reasonable.

FUND RAISING ACTIVITIES FOR THE PAST 12 MONTHS

Apart from the fund raising activity mentioned below, within the 12 months period immediately prior to the date of this announcement, the Company has not conducted any fund raising activities.

| Date of announcement | Description | Net Amount raised (approximate) | Intended use of proceeds | Actual use of proceeds |
|----------------------|--|---------------------------------|---|---|
| 23 May 2008 | placing of 1,000,000,000 Shares and subscription of 1,000,000,000 new shares | HK\$165 million | further applied for future investment in the New Urea Plant | approximately HK\$120 million was applied for the investment in the New Urea Plant, and the remaining HK\$45 million have been earmarked for investing in the New Urea Plant. |

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 17 April 2009 pending the release of this announcement. Trading in the Shares on the Stock Exchange will resume from 9:30 a.m. on 20 April 2009.

DEFINITIONS

“Aggregate Subscription Price” equal to the product of the Subscription Price and the number of Subscription Shares

“Benchmarked Price” being the higher of:

- (a) the closing price of the Shares as quoted in Hong Kong Dollars on the Stock Exchange on the date of the Subscription Agreement; and
- (b) the average closing price of the Shares as quoted in Hong Kong Dollars on the Stock Exchange in the 5 trading days immediately prior to the earlier of:
 - (i) the date of announcement of with respect to the Subscription Agreement;
 - (ii) the date of the Subscription Agreement; and
 - (iii) the date on which the Closing Price is fixed

| | |
|------------------------|---|
| “Board” | the Board of Directors |
| “Borrower” | Dazhou City Dazhu Koyo Chemical Industry Co. Ltd., being a wholly-owned subsidiary of the Company |
| “Business Day” | a day when banks in New York and Hong Kong are open for business |
| “Company” | Ko Yo Ecological Agrotech (Group) Limited, incorporated in the Cayman Islands with limited liability, the Shares of which are listed on Main Board of the Stock Exchange |
| “Closing Day” | the day agreed between the parties to complete the Subscription, with IFC paying for the Subscription Shares and the Company delivering to IFC the Subscription Shares |
| “Closing Price” | being the lower of: (a) the closing price per share of the Shares as quoted in Hong Kong Dollars on the Stock Exchange on the trading day preceding the Closing Day; and (b) the average closing price per share of the Shares as quoted on the Stock Exchange on the 5 trading days immediately prior to the Closing Day |
| “connected person” | has the meaning ascribed to it under the Listing Rules |
| “Current Market Price” | in respect of a Share on a particular date, means the average of the closing price as quoted on the Stock Exchange over the five (5) trading days immediately preceding such particular date |
| “Director(s)” | the director(s) of the Company |
| “EGM” | the extraordinary general meeting of the Company held on 18 September 2008 |

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|---------------------------|---|
| “Entitlement” | the total number of Warrant Shares IFC is entitled to subscribe from the Company by exercising the Subscription Right attaching to the outstanding Warrants held by IFC, being equal to the HK\$ equivalent of US\$20,000,000 minus the Aggregate Subscription Price, and then divided by the Initial Exercise Price |
| “Exercise Price” | the subscription price for the Warrant Shares to be issued upon exercise of the Subscription Right attaching to the Warrants, being the Initial Exercise Price as of the date of the Warrant Instrument |
| “Founding Shareholder(s)” | Mr. Li Weiruo, Mr. Yuan Bai, Ms. Chi Chuan and Ms. Man Au Vivian |
| “General Mandate” | the general mandate refreshed and granted to the Directors at the EGM, which authorized the Directors to allot, issue and otherwise deal with new Shares not exceeding 20% of the aggregate nominal amount of the Shares in issue on that date |
| “Group” | the Company and its subsidiaries |
| “HK Dollar or HK\$” | Hong Kong dollar, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “IFC” or “Subscriber” | International Finance Corporation, a member of the World Bank Group established in 1956 to foster sustainable economic growth in developing countries by financing private sector investment, mobilising capital in the international financial markets, and providing advisory services to businesses and governments. The term “IFC” or “Subscriber” referred to in this announcement in the context relates to the Warrants include any person also subsequently becomes a registered holder of the warrants |
| “Initial Exercise Price” | the amount equal to 130% of the Signing Price |

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| “Key Subsidiaries” | <p>at the relevant time or times, either</p> <p>(a) any subsidiary if, as of the end of the then most recently completed fiscal year of the Company:</p> <p style="padding-left: 40px;">(i) the assets of such subsidiary account for more than ten per cent (10%) of the total consolidated assets of the Company; or</p> <p style="padding-left: 40px;">(ii) the income of such subsidiary accounts for more than ten percent (10%) of the Company’s total consolidated income from continuing operations before income taxes, extraordinary items and the cumulative effect of changes in accounting principles; or</p> <p>(b) the following named subsidiaries, whether or not they meet any of the conditions set forth in (a) above: Chengdu Ko Yo Chemical Industry Co., Ltd., Chengdu Ko Yo Compound Fertilizers Co., Ltd., Dazhou City Dazhu Koyo Chemical Industry Co., Ltd., and Qingdao Ko Yo Chemical Industry Co., Ltd.</p> |
| “Last Trading Day” | 16 April 2009, being the last trading day for the Shares prior to the issue of this announcement |
| “Listing Committee” | the listing sub-committee of the board of directors of the Stock Exchange responsible for the Main Board listing matters |
| “Listing Rules” | the Rules Governing the Listing of Securities on Stock Exchange |
| “Loan” | the loan consisting of a principal amount of US\$20,000,000 to be advanced by IFC to the Borrower pursuant to the Loan Agreement |
| “Loan Agreement” | the loan agreement dated 16 April 2009 entered into by the Borrower and IFC as lender after the trading hours in relation to the Loan |

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|---------------------------|--|
| “Material Adverse Effect” | <p>a material adverse effect on:</p> <ul style="list-style-type: none"> (i) the Company’s or any of its Key Subsidiaries’ assets or properties; (ii) the Company’s or any of its Key Subsidiaries’ business prospects or financial condition; (iii) the implementation of the Project, the Financial Plan or the carrying on of the Company’s or any of its Key Subsidiaries’ business or operations; or (iv) the ability of the Company to comply with its obligations under this Agreement, or under any other Transaction Document or Project Document; |
| “New Urea Plant” | the new urea plant of the Group with an estimated annual capacity of 400,000 tonnes of ammonia and 450,000 tonnes of urea in Dazhou, Sichuan Province, the PRC |
| “PRC” | the People’s Republic of China |
| “Repayment Date” | each interest payment date the Borrower repay the Loan to IFC |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SFC” | the Securities and Futures Commission of Hong Kong |
| “Share(s)” | ordinary share(s) of HK\$0.02 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Signing Price” | the signing price as defined in the paragraph headed “the Subscription Price” of this announcement |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription” | subscription for initially 650,000,000 Subscription Shares (subject to adjustment) by the Subscriber pursuant to the Subscription Agreement |

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|--------------------------|---|
| “Subscription Agreement” | the agreement dated 16 April 2009 entered into between the Company and the Subscriber after the trading hours in relation to the Subscription |
| “Subscription Share(s)” | an initial 650,000,000 new Shares (subject to adjustment) to be issued and allotted under the Subscription Agreement |
| “Takeovers Code” | the Code on Takeovers and Mergers and Share Repurchases issued by the SFC |
| “Transaction Documents” | (i) Subscription Agreement; (ii) the Loan Agreement; and (iii) the Warrant Instrument; |
| “US Dollar” or “US\$” | the lawful currency of the United States of America; |
| “Warrant(s)” | the rights created by the Warrant Instrument entitling IFC (or any person which subsequently becomes a registered holder thereof) to subscribe for Shares |
| “Warrant Instrument” | the instrument constituting warrants to subscribe for Shares in the Company executed by the Company after the trading hours on 16 April 2009 |
| “Warrant Shares” | the Shares to be allotted and issued by the Company upon the exercise of the subscription right attaching to the Warrants in accordance with Warrant Instrument |
| “World Bank Group” | the International Bank for Reconstruction and Development, an international organization established by Articles of Agreement among its member countries. |
| “%” | per cent |

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

Hong Kong, 17 April 2009

As at the date of this announcement, the executive Directors are Mr. Li Weiruo, Mr. Yuan Bai, Ms. Chi Chuan, Ms. Man Au Vivian and Mr. Li Shengdi; the independent non-executive Directors are Mr. Hu Xiaoping, Mr. Woo Che-wor, Alex and Mr. Qian Laizhong.