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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: 0827)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

HIGHLIGHTS

— For the year ended 31st December 2011, the profit attributable to shareholders was approximately RMB100.2 million, which represents an increase of RMB125.8 million as compared to year 2010.

— Basic profit per share was approximately RMB1.40 cents for the year ended 31st December 2011.

— For the year ended 31st December 2011, sale turnover was approximately RMB1,427 million, which represents an increase of approximately 63.5% as compared to year 2010.

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

Type	Sales amount *(million RMB)*	Sales quantities *(tonnes)*	% change compare with year 2010 Sales amount	% change compare with year 2010 Sales quantities
BB & compound fertilizers	167	89,144	(35.3)	(43.6)
Urea	907	422,754	229.8	182.7
Ammonia	209	79,474	43.2	24.0

— The Directors do not recommend the payment of any final dividend for the year ended 31st December 2011.

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 2011.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Year ended 31 December** **2011** *RMB'000*	2010 *RMB'000*
Turnover	*4*	**1,426,888**	872,582
Cost of sales		**(1,144,540)**	(778,764)
Gross profit		**282,348**	93,818
Distribution costs		**(44,304)**	(33,181)
Administrative expenses		**(89,910)**	(59,294)
Other income — net	*5*	**33,580**	713
Operating profit		**181,714**	2,056
Finance costs — net	*6*	**(75,931)**	(26,007)
Profit/(Loss) before income tax		**105,783**	(23,951)
Income tax expense	*7*	**(5,629)**	(1,654)
Profit/(Loss) for the year		**100,154**	(25,605)
Other comprehensive income		**—**	—
Total comprehensive income/(loss) for the year		**100,154**	(25,605)
Profit/(Loss) and total comprehensive income/(loss) attributable to equity holders of the Company		**100,154**	(25,605)
Profit/(Loss) per share for profit/(loss) attributable to the equity holders of the Company during the year (expressed in RMB per share)			
— Basic	*8*	**0.0140**	(0.0036)
— Diluted	*8*	**0.0138**	(0.0036)
Dividend	*9*	**—**	—

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *RMB'000*	Reserves *RMB'000*	Total *RMB'000*
Balance at 1 January 2010	136,082	775,721	911,803
Comprehensive income:			
Loss for the year	—	(25,605)	(25,605)
Total comprehensive loss	—	(25,605)	(25,605)
Transactions with owners:			
Employee share option scheme:			
— Proceeds from shares issued	18	85	103
— Value of employee services	—	8,676	8,676
	18	8,761	8,779
Balance at 31 December 2010	136,100	758,877	894,977
Balance at 1 January 2011	**136,100**	**758,877**	**894,977**
Comprehensive income:			
Profit for the year	**—**	**100,154**	**100,154**
Total comprehensive income	**—**	**100,154**	**100,154**
Transactions with owners:			
Issue of ordinary shares upon the exercise of warrants	**2,518**	**22,411**	**24,929**
	2,518	**22,411**	**24,929**
Balance at 31 December 2011	**138,618**	**881,442**	**1,020,060**

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2011** *RMB'000*	2010 *RMB'000*
ASSETS			
Non-current assets			
Land use rights		**55,401**	88,105
Property, plant and equipment		**1,521,150**	1,318,214
Mining right		**334,306**	334,306
Intangible assets		**11,438**	8,900
Deferred income tax assets		**2,163**	7,583
		1,924,458	1,757,108
Current assets			
Inventories		**43,220**	65,827
Trade and other receivables	*10*	**155,194**	148,913
Prepaid income tax, net		**6,357**	1,848
Pledged bank deposits		**789,009**	389,712
Cash and cash equivalents		**132,094**	71,966
Non-current assets held for sale		**198,784**	—
		1,324,658	678,266
Total assets		**3,249,116**	2,435,374
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**138,618**	136,100
Reserves		**881,442**	758,877
Total equity		**1,020,060**	894,977

		As at 31 December	
		2011	2010
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Long-term borrowings, secured		**284,655**	332,918
Derivative financial liabilities		**5,072**	41,786
Deferred subsidy income		**7,476**	8,329
Deferred income tax liabilities		**82,555**	80,867
		379,758	463,900
Current liabilities			
Trade and other payables	*11*	**307,123**	176,981
Short-term borrowings, secured		**1,448,846**	810,360
Current portion of long-term borrowings, secured		**93,329**	89,156
		1,849,298	1,076,497
Total liabilities		**2,229,056**	1,540,397
Total equity and liabilities		**3,249,116**	2,435,374
Net current liabilities		**(524,640)**	(398,231)
Total assets less current liabilities		**1,399,818**	1,358,877

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 ("Transfer of Listing").

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 28 March 2012.

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 Group reported net current liabilities of approximately RMB524,640,000 as at 31 December 2011 (2010: RMB398,231,000), in addition, the Group has capital commitments of RMB78,316,000 as at 31 December 2011 (2010: RMB61,769,000) (see Note 12(a)). The directors of the Company have given due consideration to the liquidity of the Group and have adopted the going concern basis in preparing the consolidated financial statements based on the following assessment:

— The Group has profitable operations and stable cash inflow from operating activities;

— In February and March 2012, new short-term borrowings of RMB80 million with a term of one year; new short-term borrowings of RMB49 million with a term of six months and new long-term borrowings of RMB50 million with a term of 5 years have been granted and drawn down.

— The Group has not experienced any difficulties in renewing its short-term borrowings upon their maturities and there is no evidence indicating 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 the financial statements, short-term borrowings of approximately RMB40 million have been rolled over for a further year. In addition, certain banks have advised their intention in writing, though not legally binding, to renew or to extend the loans of approximately RMB455 million for a further year when they fall due in 2012;

— As of 31 December 2011, the capital expenditure committed by the Group amounted to approximately RMB78 million. These commitments are mainly related to the construction of a new production line in GuangAn, Sichuan province (“GuangAn Project”). The capital commitments will be financed by the above new long-term borrowings of RMB50 million and cash inflows from operating activities. The directors of the Company will undertake close monitoring process to control the magnitude and timing of the expected cash outlays associated with the GuangAn Project.

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

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 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Changes in accounting policy and disclosures

(a) New and amended standards, interpretations mandatory for the first time for the financial year beginning 1 January 2011 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

- HKAS 32 (Amendment), ‘Classification of rights issues’, effective for annual periods beginning on or after 1 February 2010.
- HK(IFRIC) – Int 19, ‘Extinguishing financial liabilities with equity instruments,, effective for annual periods beginning on or after 1 July 2010.
- Amendment to HKFRS 1, ‘Limited exemption from comparative HKFRS 7 disclosures for first-time adopters’, effective for annual periods beginning on or after 1 July 2010.
- HKAS 24 (Revised), ‘Related party disclosures’, effective for annual periods beginning on or after 1 January 2011.
- Amendment to HK(IFRIC) – Int 14, ‘Prepayments of a minimum funding requirement’, effective for annual periods beginning on or after 1 January 2011.
- Other amendment made under “Improvements to HKFRS” published in May 2010.

(b) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted by the Group

The Group's and Company's assessment of the impact of these new standards and interpretations is set out below.

- HKFRS 9, 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

  The group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 upon its effective date, which is for the accounting period beginning on or after 1 January 2015.

- HKFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

  The group is yet to assess HKFRS 10's full impact and intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013.

- HKFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

- HKFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The group is yet to assess HKFRS 13's full impact and intends to adopt HKFRS 13 no later than the accounting period beginning on or after 1 January 2013.

There are no other HKFRS or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.2 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(a) Business combinations

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS/HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance cost, net'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other income/(expense), net'.

(c) Group companies

The results and financial position of all the group entities (none of which has hyperinflation currency) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

— all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the statement of comprehensive income as part of the gain or loss on sale.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will follow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in profit or loss during the financial period in which they are incurred.

Depreciation of other assets is calculated using the straight-line method to allocate their costs or revalue amounts to their residual values over their estimated useful lives, as follows:

—	Buildings	35 years
—	Plant and machinery	12–14 years
—	Motor vehicles	10 years
—	Office equipment and others	7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Construction in progress represents the direct costs of construction incurred of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'other income-net' in the consolidated statement of comprehensive income.

2.6 Mining right

Mining right is stated at cost less subsequent accumulated amortisation and accumulated impairment losses. Mining right is amortised using the units of production method based on the proven and probable mineral reserves.

2.7 Land use rights

Land use rights are up-front payments to acquire a long-term interest in land, which are regarded as operating leases. These payments are stated at cost and amortised over their respective lease terms on a straight-line basis, net of accumulated impairment charge.

The amortisation charge of land use rights on which a construction-in-progress is developed is capitalised during the construction period. Other amortisation charges are expensed.

2.8 Non-current assets held-for-sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2.9 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Construction permits

Separately acquired construction permits are shown at historical cost. Construction permits have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of construction permits over their estimated useful lives of 10 years.

2.10 Impairment of investment in subsidiaries and non-financial assets

Assets that have an indefinite useful life — for example, goodwill — are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following category: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. During 2010 and 2011, other than loans and receivables, the Group did not hold any financial assets in other categories.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise `trade and other receivables' and `cash and cash equivalents' in the balance sheet (notes 2.15 and 2.16).

2.11.2 Recognition and measurement

Regular way of purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.13 Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2.14 Inventories

Inventories comprise raw materials, finished goods and work in progress and are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure (based on normal production capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.16 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Derivative financial liabilities

The derivative financial liabilities represent the warrant liabilities. Warrants issued by the Company that will be settled by the exchange of a fixed amount of cash denominated in a currency other than the functional currency of the Company for a fixed number of the Company's own equity instruments are classified as derivative financial liability (warrant liability) and are initially and subsequently measured at fair value. The changes of fair value of warrant liability are recognised in the statement of comprehensive income within "other income-net". The full fair value of the warrant liability is classified as a non-current liability when the remaining maturity of the warrant is more than 12 months, and as a current liability when the remaining maturity of the warrant is less than 12 months. The warrant liability will be transferred to share capital and share premium upon exercise of the warrants.

2.19 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period.

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

2.21 Borrowings Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.23 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

(b) Pension obligations

In accordance with the rules and regulations in the Mainland China, the Mainland China based employees of the Group participate in various defined contribution plans organised by the relevant municipal and provincial governments in the Mainland China under which the Group and the Mainland China based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired Mainland China based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group also participates in a retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for its eligible employees in Hong Kong. The contributions to the MPF Scheme borne by the Group are calculated at 5% of the salaries and wages (monthly contributions is limited to HK$1,000 for each eligible employee) as calculated under the MPF legislation. The assets of this MPF Scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution plans are expensed as incurred.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.24 Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period);and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity. The existing share options granted by the Group as at 31 December 2010 and 2009 were granted for the past services of employees and were vested immediately upon granted, therefore the total expenses were recognised immediately at the granting date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2.25 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.26 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that the outflow becomes probable, it will then be recognised as a provision in the consolidated balance sheet.

2.27 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Interest income is recognised using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

2.28 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred subsidy income and are recognised in the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets, except for the refund of value-added tax ("VAT") which is deducted in arriving at the carrying amount of property, plant and equipment.

Government grants are recognised in the consolidated statement of comprehensive income as part of other income.

2.29 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2.30 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which dividends are approved by the Company's shareholders.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgement are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of property, plant and equipment

The estimate of useful lives of property, plant and equipment was made by the directors with reference to the established industry practices, technical assessments made on the durability of the assets, as well as the historical magnitude and trend of repair and maintenance expenses incurred by the Group. It could change significantly as a result of technical innovations and competitor actions in responses to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Provision for impairment of trade receivables

The Group makes provision for impairment of trade receivables based on the assessment of the recoverability of trade receivables with reference to the extent and duration that the amount will be recovered. Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and impairment expenses in the period in which such estimate has been changed.

(c) Fair value of derivative financial liabilities

The Company has granted warrants to International Finance Corporation ("IFC") in 2009. Management has used the Black-Scholes valuation model to determine the fair value of the warrants granted. The changes of fair value are recognised in statement of comprehensive income. Significant judgement, such as risk free rate, dividend yield, expected volatility and option life, is required to be made by management as the parameters for applying the Black-Scholes valuation model.

(d) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.9(a). The recoverable amounts of cash-generating units have been determined based on fair value less costs to sell calculations. These calculations require the use of estimates.

(e) Impairment of non-current assets other than goodwill

In determining whether a non-current asset is impaired or the event previously causing the impairment no longer exists, management has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognising; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(f) Income taxes

The Group is mainly subject to income taxes in the Mainland China. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the tax losses can be utilised. Recognition of deferred tax assets primarily involves management judgement and estimations regarding the taxable profits of the entities in which the losses arose. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

Pursuant to the Corporate Income Tax Law and its implementation rules, effective from 1 January 2008, certain non-resident enterprises (for instance, those without an establishment or place of business in Mainland China or which have an establishment or place of business in Mainland China but whose relevant income is not effectively connected with the establishment or a place of business in the Mainland China) are subject to withholding tax at the rate of 5% or 10% on various types of passive income such as dividends derived from sources within the Mainland China. During the year ended 31 December 2011, retained profits of RMB24,430,000 of the Company's certain subsidiaries in the Mainland China were distributed to a subsidiary in Hong Kong with withholding income tax paid (Note 7). As at 31 December 2011, the Group recognised relevant deferred tax liabilities of RMB1,688,000 (2010:Nil), on the earnings of approximately RMB33,763,000 (2010: Nil) anticipated to be remitted by a PRC subsidiary in the foreseeable future. No withholding tax has been provided for the earnings of approximately RMB5,441,000 (2010: RMB23,405,000) which are expected to be retained by the PRC subsidiaries and not to be remitted out of the PRC in the foreseeable future.

4 TURNOVER

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

The Group's sales made in Mainland China are subject to VAT ("output VAT"). Such output VAT is payable after offsetting VAT paid by the Group on purchases. The applicable rates of output VAT 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 the largest customer is accounting for 13% of the Group's turnover.

5 OTHER INCOME — NET

	2011	2010
	RMB'000	*RMB'000*
Sales of scrap materials,net	**(671)**	290
Amortisation of deferred subsidy income	**853**	925
Subsidy income	**1,636**	192
Fair value change on warrant liability	**31,391**	(757)
Others, net	**371**	63
	33,580	713

6 FINANCE COSTS — NET

	2011	2010
	RMB'000	*RMB'000*
Interest expense of bank borrowings	**90,866**	50,745
Interest expense of borrowing from IFC	**12,669**	12,987
Less: capitalisation in construction-in-progress	**(9,412)**	(31,310)
	94,123	32,422
Interest income	**(15,116)**	(2,978)
Exchange gain, net	**(6,011)**	(4,211)
Others	**2,935**	774
	75,931	26,007

7 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 2010 and 2011.

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 Enterprise Income Tax ("EIT") at the rate of 15% in 2011 (2010: 7.5%).

The original preferential tax policies for Chengdu Ko Yo Chemical and Chengdu Ko Yo Compound have been expired in 2011. Starting from 1 January 2011, they are subject to a tax rate of 25% (2010: 15%).

The applicable income tax rate of Ko Yo Agrochem in 2011 and 2010 is 25%.

Qingdao Ko Yo Chemical did not have assessable profit for the year ended 31 December 2011 (2010: Nil).

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

	2011	2010
	RMB'000	*RMB'000*
Current tax for Mainland China	**14,404**	6,651
Deferred income tax	**(8,775)**	(4,997)
	5,629	1,654

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

	2011	2010
	RMB'000	*RMB'000*
Profit/(loss) before income tax	**105,783**	(23,951)
Tax calculated at a taxation rate of 15% (2010: 15%)	**15,867**	(3,592)
Tax rate difference	**(2,040)**	748
Expenses not deductible for tax purposes	**581**	119
Utilisation of previously unrecognised tax losses	**(793)**	—
Withholding tax paid on the earnings remitted by subsidiaries	**2,142**	1,678
Withholding tax accrued on the earnings expected to be remitted by subsidiaries	**1,688**	—
Tax losses for which no deferred income tax was recognised	**1,846**	3,229
Income not subject to tax	**(4,709)**	—
Effect of deduction of 40% of purchase cost of energy saving and environmental protection equipment	**(5,467)**	—
Re-measurement of deferred tax-change in tax rate	**(3,486)**	—
Effects on tax holiday available to different companies of the Group	**—**	(528)
Taxation	**5,629**	1,654

8 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is 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.

	2011	2010
Profit/(Loss) attributable to equity holders of the Company (RMB'000)	**100,154**	(25,605)
Weighted average number of ordinary shares in issue (thousands)	**7,158,737**	7,044,507
Basic profit/(loss) per share (RMB per share)	**0.0140**	(0.0036)

(b) Diluted

Diluted earnings 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 had two categories of dilutive potential ordinary shares: share options and warrants. For the share options and warrants, a calculation was made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and warrants. The number of shares calculated as above was compared with the number of shares that would have been issued assuming the exercise of the share options.

	2011	2010
Profit/(Loss) attributable to equity holders of the Company (RMB'000)	**100,154**	(25,605)
Weighted average number of ordinary shares in issue (thousands)	**7,158,737**	7,044,507
Adjustment — warrants and share options (thousands)	**75,218**	—
Weighted average number of ordinary shares for diluted loss per share (thousands)	**7,233,955**	7,044,507
Diluted loss per share (RMB per share)	**0.0138**	(0.0036)

The calculation of diluted loss per share for the year ended 31 December 2010 has not assumed the exercise of the share options and warrants as these potential ordinary shares are anti-dilutive during the year then ended.

9 DIVIDEND

The directors do not recommend the payment of an interim dividend and a final dividend for the six months ended 30 June 2011 (2010: nil) and the year ended 31 December 2011 (2010: nil).

10 TRADE AND OTHER RECEIVABLES

	Group		**Company**	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables	**23,584**	25,266	**—**	—
Less: provision for impairment of trade receivables	**(5,241)**	(5,156)	**—**	—
Trade receivables — net	**18,343**	20,110	**—**	—
Prepayments	**101,859**	94,849	**476**	—
Prepaid input VAT	**8,287**	—	**—**	—
Notes receivable	**4,100**	20,253	**—**	—
Due from employees	**5,085**	5,826	**—**	—
Others	**17,520**	7,875	**—**	—
	155,194	148,913	**476**	—

As at 31 December 2011 and 2010, the fair value of trade and other receivables of the Group approximated to their carrying amounts.

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

	Group	
	2011	2010
	RMB'000	*RMB'000*
Less than 3 months	**17,664**	20,016
More than 3 months but not exceeding 1 year	**79**	137
More than 1 year but not exceeding 2 years	**733**	88
More than 2 years but not exceeding 3 years	**83**	1
More than 3 years	**5,025**	5,024
	23,584	25,266
Less: provision for doubtful receivables	**(5,241)**	(5,156)
	18,343	20,110

As of 31 December 2011, trade receivables of RMB17,664,000 (2010: RMB20,016,000) that are under credit term were fully performing.

As of 31 December 2011, trade receivables of RMB679,000 (2010: RMB94,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group	
	2011	2010
	RMB'000	*RMB'000*
More than 3 months but not exceeding 1 year	**79**	7
More than 1 year but not exceeding 2 years	**600**	87
	679	94

As at 31 December 2011, trade receivables of RMB5,241,000 (2010: RMB5,156,000) were impaired and full provision of RMB5,241,000 (2010: RMB5,156,000) was provided for. The individually impaired receivables mainly relate to wholesalers, which are in unexpected difficult economic situations. The ageing of these receivables is as follows:

	Group	
	2011	2010
	RMB'000	*RMB'000*
More than 3 months but not exceeding 1 year	**—**	130
More than 1 year but not exceeding 2 years	**133**	1
More than 2 years but not exceeding 3 years	**83**	1
More than 3 years	**5,025**	5,024
	5,241	5,156

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
RMB	**150,546**	145,834	**—**	—
HKD	**4,648**	3,079	**476**	—
	155,194	148,913	**476**	—

Movements on the provision for impairment of trade receivables are as follows:

	Group	
	2011	2010
	RMB'000	*RMB'000*
At 1 January	**5,156**	5,026
Provision for receivables	**85**	131
Unused amounts reversed	**—**	(1)
At 31 December	**5,241**	5,156

The creation and release of provision for impaired receivables have been included in administrative expenses in the consolidated statement of comprehensive income.

Notes receivable represents bank acceptance notes with maturity period within six months and no interest bearing.

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

11 TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables *(Note a)*	**34,233**	26,342	**—**	—
Notes payable *(Note b)*	**8,100**	40,170	**—**	—
Construction payable	**23,215**	29,443	**—**	—
Advances from customers	**74,067**	40,377	**—**	—
Advances from purchasers	**131,100**	—	**—**	—
Accrued expenses	**8,377**	7,425	**4,643**	2,912
Deposits from suppliers	**12,636**	18,587	**—**	—
Other taxes payable	**1,060**	6,300	**—**	—
Others	**14,335**	8,337	**—**	—
	307,123	176,981	**4,643**	2,912

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
RMB	**302,480**	174,069	**—**	—
HKD	**4,643**	2,912	**4,643**	2,912
	307,123	176,981	**4,643**	2,912

(a) Trade payables

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

	2011	2010
	RMB'000	*RMB'000*
Aged:		
Less than 1 year	**26,733**	25,353
More than 1 year but not exceeding 2 years	**6,931**	153
More than 2 years but not exceeding 3 years	**11**	836
More than 3 years	**558**	—
	34,233	26,342

(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. As at 31 December 2011, notes payable of approximately RMB8,100,000 (2010: RMB40,170,000) were pledged by bank deposits of RMB6,100,000 (2010: RMB40,170,000).

12 COMMITMENTS — GROUP

(a) Capital commitments for property, plant and equipment

	2011	2010
	RMB'000	*RMB'000*
Constructions-in-progress:		
Contracted but not provided for	**78,316**	61,769

(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:

	2011	2010
	RMB'000	*RMB'000*
Not later than one year	**85**	964

The Company had no capital commitment and no commitments under operating leases as at 31 December 2011 (2010: Nil).

13 EVENT AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date and up to the date of approval of the financial statements, short-term borrowings of approximately RMB40 million have been rolled over for a further year; new short-term borrowings of RMB80 million have been granted and drawn down with a term of one year; new short-term borrowing of RMB49 million with a term of six months, and new long-term borrowings of RMB50 million with a term of 5 years have been granted and drawn down.

CHAIRMAN'S STATEMENT

TO SHAREHOLDERS

It's my honour to report the results of Ko Yo Chemical (Group) Limited (the "Company") together with its subsidiaries (collectively, the "Group") for the year ended 31st December 2011 to you. I wish to express appreciation on behalf of the Board of Directors to all shareholders and our friends from all sectors of the society who concern for the development of the Group.

During the year under review, the Group's results achieved a turnaround from loss and recorded a significant increase in profit. For the year ended 31st December 2011, the audited profit attributable to shareholders of the Group amounted to approximately RMB100.2 million, representing an increase of RMB125.8 million as compared to a loss of RMB25.6 million last year. Basic earnings per share amounted to RMB1.40 cents (2010: a loss of RMB0.36 cents). The Group's turnover amounted to approximately RMB1,427 million, representing an increase of 63.5% as compared to RMB873 million in the same period of 2010. The Group's sales volume amounted to approximately 674,000 tonnes, representing an increase of approximately 18.7% as compared to 568,000 tonnes of last year.

The Group achieved a turnaround from operating losses sustained in the last two consecutive years as compared to the performance for the corresponding period of last year. The significant growth in turnover and profits was mainly due to:

1. The stable operation of Dazhou Plant contributed substantial profit to the Company. Since the commencement of operation in the fourth quarter of 2010, the Plant has attained a stable increase in the efficiency and utilization rate for production equipment, benefited from the competitive advantages of its adjacency to the natural gas field and dedicated supply pipeline and the sound production coordination within the Company. During the first year of operation, the production equipment has consecutively been operated for more than 100 days, and the maximum daily production of urea has exceeded the designed capacity of the equipment. In 2011, due to the inspection at the beginning of 2011 and the early inspection for 2012 at the end of the year, the annual average operating rate for the production equipment for synthetic ammonia and urea were 83% and 80% respectively, and the average utilization rate of capacity for the production equipment for synthetic ammonia and urea amounted reached 85% and 92% respectively between February and November in the same year. During the period under review, the sales volume for the products from Dazhou's urea plant reached approximately 426,000 tonnes and recorded sales income of RMB899 million, representing 63.0% of the Company's sales income for the year. Profit contribution amounted to RMB92 million, representing 92.0% of the Company's profit for the year.

2. With the increased prices of agricultural products, the recovery in the fertilizer industry and the surging production costs for raw materials, coal and electricity, the price of fertilizers gradually moved upward and stayed at a higher level. For example, the average factory prices of urea and liquid ammonia products in PRC increased to $3,400/tonne and $2,100/tonne respectively at the end of the year from $2,600/tonne and $1,700/tonne at the beginning of the year, representing an average annual increase of 17% and 7.7% as

compared to the corresponding period of last year. The selling price of the Company's product increased approximately by 14.7%–28.1% on average as compared to those of last year.

In contrast with the results for the same period of the last year, despite of the growth in the Group's results to a greater extent, the profit failed to meet the management's expectation, which mainly resulted from the adverse effects as follows:

1. The surging costs for raw materials. Since the prices for natural gas rose in 2010, the price of anthracite also increased. For example, the average truck-loading price for middle anthracite in Jincheng, Shanxi have increased more than 50% in 2011 as compared to the average price in 2010. During the same year, the price of power for industrial use in PRC also increased for three times with accumulated increase of approximately 7%. The operating results of our plant located at Dazhu, Sichuan, was also unsatisfactory as affected by the surge in production cost and the plant only recorded an annual profit of RMB2.6 million for the year upon the suspension of operation in the last quarter.

2. Operating rate. As affected by Sinopec Corp.'s gas supply schedule , the operation of the production equipment at Dazhou Plant was suspended for inspection in December 2011, which was originally scheduled to be carried out in 2012 and thus there were 53 days of the suspended operation for the inspection of the production equipment at Dazhou plant during the year, which will affect the annual operating rate of the equipment to a certain extent. Moreover, the operation of Xindu Plant was also suspended in the second half of 2011 due to its relocation, further affecting the production and sales volume of the products of the Company for the year, and results in a loss of RMB15.8 million for the year in Xindu plant.

Faced with the production and operation condition in 2011, the Company adopted the following measures to tackle the problems in a positive manner so as to achieve the operation indicators for the coming year.

As to production: Since the inspection of the production equipment at Dazhou Plant for 2012 has already been completed ahead of the schedule in December 2011, the management expect the operation efficiency in 2012 can be exceed those in 2011. Thus, the Company will strive to increase the load capacity of the production equipment and focus on ensuring the stable operation of the production equipment in the long run in order to fully capitalize the operation efficiency of the production equipment at Dazhou Plant.

As to the market: 1. The Group will increase its market shares in key markets and the promotion of the regional brand effect of the products by increasing the efficiency on the usage of the corporate internal resources; 2. The Group will continue to maintain the existing sales network by way of increasing external processing and trading of products during the suspended operation of Xindu for its relocation and until the resumption of operation of Guangan; 3. The Group will increase the trading income while taking strategic measures and establishing the sale channels for marketing the products from the Guangan Project and 2nd Phase of Dazhou Project.

As to the management: The Group will increase its overall productivity by the implementation of ERP system, streamlining the management flow and improves the overall quality of the staff.

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 2011. The Group has not declared any dividend for the year ended 31st December 2011 (2010: Nil).

PROSPECT

Industry Review

Domestic Market: The chemical fertilizer industry saw a stable growth in 2011 and the price of urea will stay at a higher level in the spring of 2012

2011 was the beginning of the Twelve Five Year Plan. Despite of the complicated domestic and international environment, the economy in China still maintained a stable and relative fast growth. Meanwhile, the chemical fertilizer industry has developed stably in line with the increasing prices of agricultural products and a stable increase of demand. Recently, the production capacity of fertilizer in China has continued to experience an upward trend. In 2011, the production capacity for phosphate and potash fertilizer in China remained a faster growth despite of the slowdown of the growth of the production capacity for nitrogen fertilizer. According to the information from Statistics Bureau, the total production of fertilizer in China amounted to 55,608,900 tonnes (net amount, same as below) for the first 11 months, representing a YOY increase of 11.62%, among which, the total production of nitrogen fertilizer, phosphate and potash fertilizer amounted to 38,450,000 tonnes, 13,558,000 tonnes and 3.6 million tonnes respectively, representing a YOY increase of 7.7%, 24.3% and 12.1% respectively.

In 2011, as affected by such factors as the surging prices of coal and sulphur, shortage supply of natural gas and increasing price of power, the prices of various types of fertilizer in China stayed at a high level. During the spring season for farming and fertilizing between January and April in 2011, the trading in urea market was quiet. Although the supply in the market remained in balance, the overall prices were stable and the market did not see a shortage of supply and the surge in prices. The factors affecting the urea market during the spring of 2012 include the increasing price of anthracite, the tight supply of natural gas and the delayed launch of low season fertilizer reserves. All these factors supported the price of urea staying at a high level. It is expected that the supply of urea during the spring of 2012 will be more sufficient than that in 2011. Though there will be abundant supply in the market, with the support of the cost of raw material and increasing price of agricultural products, the price will go higher as compared to that of the same period in 2011.

International Market: The global chemical fertilizer industry remained a strong demand and the international market of nitrogen fertilizer in general was prosperous

Despite the volatility of the global economic environment, the European debt crises and the economic downturn in the US in 2011, the international market of nitrogen fertilizer continued to recover since 2010 without being affected by the factors as mentioned above. With the support of the increasing price of agricultural products, the tightening supply of energy and the strong rebound of the demand for chemical fertilizer, the chemical fertilizer experienced a substantial increase in international price and a prosperous market.

According to the International Fertilizer Industry Association (IFA), the high price of agricultural products has attracted the producers of agricultural products around the world to make more investment in the agricultural industry, driving a growth of demand for fertilizers. It is expected that the global spending on fertilizers during 2011/12 will grow by 3% YOY to 178.3 million tonnes, recording a historical high.

In 2011, the global production of and spending on urea maintained a trend of upward movement. As estimated by IFA, the amounts for the supply of and spending on urea would be 155.6 million tonnes (physical amount, same as below) and 153.3 million tonnes respectively. Approximately 89% and 11% of urea is for agricultural and industrial uses respectively. Although the prices of agricultural products and power remains high, the global market of nitrogen fertilizer in general would still be positive in 2012. However, the price may remain volatile under the uncertain global economy. It is expected that the global market of nitrogen fertilizer will continue to recover and demand for urea will maintain the upward momentum and grow at a rate of approximately 3.2%, among which, east and south Asia will see substantial increase in demand, being followed by Latin America and North America.

Despite the impact of uncertain global economic environment and the possibility of the slowdown of growth in China in 2012, the Directors of the Group ("Directors") believe that the fertilizer industry will remain positive with the support of the rigid demand for raw material and food and the surging price of agricultural products.

OBJECTIVES AND STRATEGIES

Progress in the relocation of production equipment for Xindu

The Company has completed the disposals of assets and the settlement of staff involved in the relocation of Xindu Plant by 2011 in accordance with the requests from the People's Government of Chengdu, making a good preparation for a smooth removal of the plant to Guangan.

On 16th June 2011, Ko Yo Development entered into the Equity Transfer Agreement with Chengdu Hexin Real Estate Co., Ltd. ("Purchaser") pursuant to which Ko Yo Development has agreed to sell, and the Purchaser has agreed to purchase 40% equity interests in Chengdu Ko Yo Chemical Industry Co., Ltd. for a consideration of RMB20 million (equivalent to approximately HK$24 million). Further to the Equity Transfer Agreement, Ko Yo Development and the Purchaser also entered into the Supplemental Agreement in respect of the disposition of the assets and liabilities of Chengdu Ko Yo Chemical Industry Co., Ltd. The Purchaser has also agreed to settle the debt of RMB49.44 million (equivalent to approximately HK$59.33 million) subject to the terms and conditions of the Supplemental Agreement.

In accordance with the overall development strategy as planned by the Group, the Company will transform this location into a new development opportunity. By leveraging on the resources, such as salt mines, natural gas and coal in Guangan, Sichuan, the Company will set up a new production base of chemicals. The Company will introduce a set of production equipment of synthetic ammonia-methanol through preliminary research for Guangan Koyo Chemical Co., Ltd and Guangan Lotusan Natural Gas Chemical Industry Co., Ltd., a project with an annual production of 300,000 tonnes of synthetic ammonia and 500,000 tonnes of methanol ("1st Phase of Project at Guangan"). Currently, the preliminary approval and preparation work for the project have been completed. The indicated use in natural gas of 650 million cubic meter in total that is required by the project has obtained approval from the People's Government of Guangan, PetroChina Nanchong City Gas Company Limited and PetroChina Nanchong City Gas Company Limited. The disassembly of the overseas equipment is now going on and it is expected that the equipments will be started to delivery to the site from March 2012 onward for inspection and installation.

Stable increase of the production capacity of Dazhou Plant and mild slowdown of the 2nd Phase of the Project in Dazhou

In view of the operation of Dazhou Plant in 2011 and the progress in the relocation of the plant in Xindu to Guangan, the Company will place emphasis on stable production, increase of the production capacity of the equipment of Dazhou Plant and the construction of the 1st Phase of the Project in Guangan. Thus, the "Project for Annual Output of 300,000 Tonnes of Urea and 40,000 Tonnes of Melamine" (the "2nd Phase of the Dazhou Project") will be appropriately adjusted and postponed.

Melamine is a downstream product for urea. The production of melamine will further extend the product chain, enhance the added value of products, optimize the composition of the Company's products and profitability.

After preliminary research and inspection, the Company had acquired a set of idle Melamine production equipment from US. This equipment adopts DSM technique featuring advanced technology, low energy consumption, nil pollution and premium product quality. At present, the equipment has been arrived at the site and under inspection and testing. As the project is located at the 1st Phase of the Project in Dazhou, the land used by the project was already reserved in the 1st Phase of the Dazhou Project, and the project would share the common facilities with the 1st Phase. Therefore, investment cost will be saved and it will also be benefited from the advantage of low cost raw materials in the upper stream.

Through the expansion in capacity and technology upgrade from the 2nd Phase of the Dazhou 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.

The Directors expected that the stable operation of Dazhou plant upon completion will become a profit centre for the Company this year. At the same time, the commencement of the 1st Phase of the Project in Guangan and the 2nd Phase of the Dazhou Project in will also bring new opportunities for the development of the Company in future, and allow the Company to gradually move into a phase of rapid growth.

Progress in the project of phosphorous mine

Sichuan Chengyuan Chemical Industry Company Limited ("Sichuan Cuyo"), a wholly-owned subsidiary of the Group, has successfully obtained exploitation licence for its phosphorous mine located at Qingping Township, Mianzhu City, Sichuan Province upon examination and approval by Bureau of Land and Resource of the State in 2010. Currently, the Company intends to jointly develop the exploiting technology of low-grade phosphorous mine with the well-known science and technology institutions in China in order to produce phosphoric acid for industrial use with the raw material of middle- and low-grade phosphorous mine. The Company can have the right of property of the patented technology that allow the Company's industry chain to expand both upstream and downstream and laying a foundation for further improvement of economic benefits and the sustainable development of the Company.

APPRECIATION

In 2011, with the uncertainty of the global economy and such adverse factors as the increasing cost of raw material, power price and cost of human resources, the management of the Company placed high emphasis on the safety and environmental protection, stable production and improvement in efficiency. The Company not only successfully settled the issues about the preliminary relocation of Xindu Plant and the settlement of staff, but also achieved a consecutive operation of Dazhou plant for more than 100 days, leading to the turnaround from losses of the Company.

I would like to take this opportunity to express appreciation on behalf of the Board to our clients, the management and the staff. I hope to retain support from our shareholders and hope the management and the staff will continue to work hard to achieve great results.

Li Weiruo
Chairman

28th March 2012

BUSINESS REVIEW

FINANCIAL PERFORMANCE

Results

For the year ended 31st December 2011, the Group remained focused on manufacture and distribution of chemical fertilizers and chemical products, including BB Fertilizers and complex fertilizers, sodium carbonate, urea, ammonium chloride, ammonium bicarbonate and ammonia.

During the year under review, the Group recorded turnover of approximately RMB1,427 million, an increase of 63.5% over the previous year. The profit attributable to shareholders of the Company amounted to approximately RMB100.2 million, representing an increase of approximately RMB125.8 million as compared to last year. Basic profit per share amounted to approximately RMB1.40 cents.

Cost and Profit Margin

Cost of sales of the Group amounted to approximately RMB1,145 million, representing an increase of 47.0% as compared to the figure in 2010. The reasons of increase in cost of sales were increase in sales quantities and the price of raw materials.

Gross profit margin of the Group increased approximately from 10.8% in 2010 to 19.8% in 2011. The increase in the gross profit margin was due to the commence production of the Dazhou plant.

During the year under review, distribution costs increased approximately by 33.5% as compared with last year. The ratio of the distribution costs over sales was 3.1% in 2011 which was lower than 3.8% in 2010.

In comparison with last year, there was an increase in administrative expenses of the Group by approximately 51.6% from RMB59.3 million in 2010 to RMB89.9 million in 2011. The increase in administrative expenses is mainly due to the expenses incurred during the closing of Xindu plant.

Starting from the year under review, the Group prepaid income tax in 2011 of Enterprise Income Tax amounting to approximately RMB6 million. Details of tax schemes are set out in Note 7.

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 2011. The Group has not declared any dividend for the year ended 31st December 2011 (2010: Nil).

PRODUCTS

Sales of the Group's products for the year 2010 and 2011 are as follows:

	Turnover in year 2011		Turnover in year 2010		**Percentage Change in turnover**
		Composite		*Composite*	
	RMB'000	***%***	*RMB'000*	*%*	*%*
BB & compound fertilizers	**167,000**	**11.7**	258,000	29.6	(35.3)
Sodium carbonate	**60,000**	**4.2**	100,000	11.5	(40.0)
Ammonium chloride	**20,000**	**1.4**	45,000	5.1	(55.6)
Urea	**907,000**	**63.6**	275,000	31.5	229.8
Ammonia	**209,000**	**14.6**	146,000	16.7	43.2
Ammonium bicarbonate	**9,000**	**0.6**	17,000	1.9	(47.1)
Others	**55,000**	**3.9**	32,000	3.7	71.9

During the year under review, due to the commence operation of the Dazhou urea plant, the sales volumes of urea and ammonia were greatly increased as compared to year 2010. On the other land, with the closing of Xindu Plant on the lower half of year 2011, the sales volumes of BB & compound fertilizers, sodium carbonate and ammonium chloride were decreased as compared to year 2010.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st December 2011, the Group had net current liabilities of approximately RMB524,640,000. Current assets as at 31st December 2011 comprised cash and bank deposits of approximately RMB132,094,000, pledged bank deposits of approximately RMB789,009,000, inventories of approximately RMB43,220,000, trade receivables of approximately RMB18,343,000 and prepayments and other current assets of approximately RMB341,992,000. Current liabilities as at 31st December 2011 comprised short-term borrowings of approximately RMB1,448,846,000, short-term portion for long-term borrowings of approximately RMB93,329,000, trade and notes payables of approximately RMB65,548,000, advances from customers of approximately RMB74,067,000 and accrued charges and other payables of approximately RMB167,508,000. 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 2011, the Group had outstanding capital commitments of approximately RMB78 million. Details of the Group's capital commitments are set out in Note 12.

FINANCIAL RESOURCES

As at 31st December 2011, the Group had cash and bank deposits of approximately RMB132,094,000 and pledged bank deposits of approximately RMB789,009,000. 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 2011, the total borrowings and notes payable balances of the Group amounted to RMB1,834,930,000.

GEARING RATIO

The Group's gearing ratios were approximately 219% and 172% as at 31st December 2011 and 31st December 2010 respectively. The gearing ratios were calculated based on total liabilities over total equity as at the respective balance sheet dates.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31st December 2011.

MATERIAL ACQUISITION/DISPOSAL

Other than the disposal of the 40% equity interest in Chengdu Ko Yo Chemical Industry Company Limited as per announcement dated 16th June 2011, there was no material acquisition or disposal in the year 2011 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 new urea plant with an annual ultimate production capacity of 500,000 tonnes of ammonia, 800,000 tonnes of urea and 40,000 tonnes of melamine in Dazhou, Sichuan Province, the PRC as per interim report dated 20th August 2010 and the relocation of Xindu plant to Guangan, as per the announcement dated 16th June 2011, the Directors do not have any future plans for material investment or capital assets.

CHARGES ON THE GROUP'S ASSETS

As at 31st December 2011, certain land use rights and buildings with a total net book value of approximately RMB158,869,000 (2010: RMB76,988,000), plant and machinery, construction in progress with a total net book value of approximately RMB786,030,000 (2010: RMB443,469,000) and bank deposits approximately RMB789,009,000 (2010: RMB389,712,000) were pledged as collateral for the Group's borrowings and notes payable.

DIVIDEND

After considering of the heavy capital expenditure of the new urea plant, the Directors do not recommend the payment of any final dividend for the year ended 31st December 2011.

NUMBER OF EMPLOYEES AND THEIR REMUNERATION

As at 31 December 2011, the Group had 1,080 (2010: 2,131) employees, comprising 6 (2010: 6) in management, 124 (2010: 123) in finance and administration, 898 (2010: 1,914) in production, 48 (2010: 84) in sales and marketing and 4 (2010: 4) in research and development, 1,074 (2010: 2,125) of these employees were located in the PRC and 6 (2010: 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 2011.

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 2011 have been agreed by the Auditors, 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 audit, review or other assurance engagement, 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 "Code") as set out in Appendix 14 of the Listing Rules and the Company had complied with the 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 28 March 2012

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