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Ko Yo Chemical (Group) Limited

玖 源 化 工 (集 團) 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00827)

Profit Warning

The board of directors (the "Board") of Ko Yo Chemical (Group) Limited (the "Company", together with its subsidiaries, the "Group") makes this announcement pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

The Board wishes to inform shareholders of and potential investors in the Company that, due to the market prices of urea, methanol and other chemical products were increased as compared with last year, which in turn leads to the operating gross profit of the Group was improved. However, due to the valuation loss from the expiry of put option agreement entered between the Company and Asia Pacific Resources Development Investment Limited on 18 January 2015, the temporary suspension of natural gas supply for one month in January 2018, the improvement of polyphenylene plant has not yet completed and the temporary suspension of melamine and phosphoric acid projects lead to the investments cannot generate cash flow and affect the profit, the Board expects that the Group will record a loss in the first half of the financial year of 2018.

With the increase in market prices of chemical products this year and the supply of natural gas has not yet met the full capacity production requirement but the supply was stable, the Board is in confident to improve the Group's overall financial position.

As the Company is in the processing of finalizing its interim results report for the six months ended 30 June 2018 (the "Interim Results Report"), the information in this announcement is based on a preliminary assessment by the Company's management according to the management accounts of the Group. The details financial information of the Group shall be disclosed in the Interim Results Report.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Ko Yo Chemical (Group) Limited
Chairman
Tang Guoqiang

Hong Kong, 27 July 2018

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