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)

Clarification Announcement

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).

Reference is made to the announcement dated 18 February 2019 of the Company. The major reasons for the greatly reduced in loss of the Company in the financial year of 2018 as compare to the financial year of 2017 are as follows:

i) The average selling prices of the Group's major products in year 2018 were higher than those in year 2017 and the cost remained stable in the year of 2018 as compared to the year of 2017, and
ii) the loss on the derivative financial assets due to the change in the fair value of the put option as stated in note 25 to the consolidated financial statements of the annual report of the year 2017 was greatly reduce from approximately RMB186 million in the year of 2017 to approximately RMB42 million in the year of 2018.

As the Company is in the processing of finalizing the annual report for the year ended 31 December 2018 (the "Annual 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 Annual 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, 19 February 2019

As at the date of this announcement, the Board comprises four executive directors, being Mr. Tang Guoqiang, Mr. Shi Jianmin, Mr. Li Weiruo, 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.