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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)

DISCLOSEABLE TRANSACTION PROVISION OF LOAN AND GRANT OF LOAN FACILITY

A. PROVISION OF LOAN

On 25 November 2021, Lender A entered into the Loan Agreement A with Borrower A in relation to the provision of the loan in the sum of RMB100,000,000, subject to the terms therein and should be repaid on or before 24 May 2022.

B. GRANT OF LOAN FACILITY

On 1 June 2021, Lender B entered into the Facility Agreement with Borrower B, pursuant to which Lender B agreed to provide Borrower B a revolving loan facility of up to RMB90,000,000 which should be repaid on or before 31 December 2022. Between 28 November 2021 and 1 April 2022, Lender B and Borrower B entered into the Supplemental Agreements, pursuant to which Lender B agreed to adjust the Loan Facility in accordance with the terms and conditions of the Supplemental Agreements.

C. IMPLICATIONS UNDER THE LISTING RULES

As the relevant percentage ratios (as defined under the Listing Rules) in respect of the maximum amount of financial assistance granted to each of Borrower A pursuant to the Loan Agreement A, and to Borrower B pursuant to each of the Facility Agreement, the First Supplemental Agreement and the Second Supplemental Agreement exceeded 5% but were under 25%, the transactions contemplated under each of the Loan Agreement A, the Facility Agreement, the First Supplemental Agreement and the Second Supplemental Agreement constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules and were therefore subject to the reporting and announcement requirements but exempt from Shareholders' approval requirement.

The Company should have complied with the relevant reporting and announcement requirements in respect of the Loan Agreements, as and when such obligations arose. The Company has taken remedial actions to avoid recurrence of similar incident in the future and will continue to strengthen its internal compliance system.

A. PROVISION OF LOAN

The Board announces that on 25 November 2021, Lender A, a wholly owned subsidiary of the Company, entered into the Loan Agreement A with Borrower A.

Principal terms of the Loan Agreement A

Date	:	25 November 2021
Lender A	:	Guang'an Ko Yo Trading Co., Ltd., a company incorporated in the People's Republic of China with limited liability and a wholly owned subsidiary of the Company
Borrower A	:	Jiangsu Jian Tu Trading Co., Ltd., a borrower under the Loan Agreement A, being an Independent Third Party to the Company
Loan amount	:	RMB100,000,000
Repayment date	:	24 May 2022
Interest	:	7% per annum

The principal amount under the Loan Agreement A has been repaid in full to Lender A on 24 March 2022.

Save for the disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, there is, and in the past twelve months from the date of the Loan Agreement A, there has been, no material loan arrangement between (a) Borrower A, any of its directors and legal representatives and/or any ultimate beneficial owner(s) of Borrower A who can exert influence on the transaction; and (b) the Company and its subsidiaries.

B. GRANT OF LOAN FACILITY

The Board announces that on 1 June 2021, Lender B, a wholly owned subsidiary of the Company, entered into the Facility Agreement with Borrower B.

Principal terms of the Facility Agreement

Date	:	1 June 2021
Lender B	:	Jiangsu Ko Yo Biomaterial Co., Ltd., a company incorporated in the People's Republic of China with limited liability and a wholly owned subsidiary of the Company
Borrower B	:	Changzhou Chuan Peng New Material Technology Co., Ltd., a borrower under the Facility Agreement, being an Independent Third Party to the Company
Amount of Loan Facility	:	up to RMB90,000,000

- Availability Period : 19 months commencing from 1 June 2021 and ending on 31 December 2022
- Interest : (i) Interest on each Advance during the period from 1 June 2021 to 31 October 2021 shall accrue at a rate of 12% per annum
- (ii) Interest on each Advance during the period from 1 November 2021 to 31 December 2022 shall accrue at a rate of 9% per annum
- Repayment : Borrower B shall repay all Advances and the outstanding interest accrued thereon by the Repayment Date
- Prepayment : Borrower B may prepay all or part of the Advances and the accrued interest on the amount prepaid and any other sum due and payable in accordance with the terms and conditions of the Facility Agreement
- Re-borrowing : During the Availability Period, Borrower B may re-borrow (in whole or in part) any amount prepaid in accordance with the terms and conditions of the Facility Agreement
- Repayment Date : 31 December 2022

Supplemental Agreements to the Facility Agreement

Taking into consideration of (i) Borrower B's needs for temporary working capital at the material time; (ii) the interest income to be received by Lender B; and (iii) the actual borrowings, Borrower B and Lender B agreed to enter into the Supplemental Agreements to amend and supplement certain terms and conditions of the Facility Agreement.

On 28 November 2021, Lender B and Borrower B entered into the First Supplemental Agreement to increase the amount of the Loan Facility from RMB90,000,000 to RMB180,000,000 with effect from 28 November 2021. The First Supplemental Agreement was entered into after taking into account a short-term loan of RMB150,000,000 to be lent to Borrower B. Save as disclosed herein, all other terms and provisions of the Facility Agreement shall remain in full force and effect.

On 1 March 2022, Lender B and Borrower B entered into the Second Supplemental Agreement to further increase the amount of the Loan Facility from RMB180,000,000 to RMB210,000,000 with effect from 1 March 2022. The Second Supplemental Agreement was entered into after taking into account Borrower B's need for an additional short-term capital turnover. Save as disclosed herein, all other terms and provisions of the Facility Agreement as supplemented by the First Supplemental Agreement shall remain in full force and effect.

On 1 April 2022, Lender B and Borrower B entered into the Third Supplemental Agreement to reduce the amount of the Loan Facility from RMB210,000,000 to RMB50,000,000 with effect from 1 April 2022. The Third Supplemental Agreement was entered into after taking into account the repayment of a short-term borrowing of RMB150,000,000 by Borrower B. Save as disclosed herein, all other terms and provisions of the Facility Agreement as supplemented by the First Supplemental Agreement and the Second Supplemental Agreement shall remain in full force and effect.

As at the date of this announcement, all outstanding principal amount under the Facility Agreement as supplemented by the Supplemental Agreements have been repaid in full by Borrower B to Lender B.

Save for the disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, there is, and in the past twelve months from grant of the Loan Facility, there has been, no material loan arrangement between (a) Borrower B, any of its directors and legal representatives and/or any ultimate beneficial owner(s) of Borrower B who can exert influence on the transaction; and (b) the Company and its subsidiaries.

INFORMATION OF THE GROUP

The Group is principally engaged in the manufacturing and sale of chemical products and chemical fertilisers (including bulk blending fertilisers and complex fertilisers, methanol, urea and ammonia) in the PRC.

INFORMATION OF THE BORROWERS

Borrower A is principally engaged in sales of metal materials, construction materials, mechanical and electrical equipment, electronic products, chemical products (except dangerous goods), textiles, general merchandise, hardware, electrical equipment, mechanical equipment and accessories, solar photovoltaic products and modules, silicon wafers, cells and related raw and auxiliary materials, parts and components; research and development of solar energy equipment technology and consulting services; and investment in industrial projects.

Borrower A is a company incorporated in the PRC with limited liability. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the ultimate beneficial owner of Borrower A is Shi Yiyi.

Borrower B is principally engaged in technical consulting, technology development, technology service and technology transfer of non-metallic mineral nanomaterials, sales of chemical products (excluding dangerous chemicals) and chemical equipment.

Borrower B is a company incorporated in the PRC with limited liability. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the ultimate beneficial owners of Borrower B are Liao Hong and Xie Huaping.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Borrowers and their ultimate beneficial owners are Independent Third Parties; and the Borrowers do not share a common shareholder or director. Borrower A and Borrower B are respectively business acquaintances of the Company. Many years ago, the Company hoped to explore the chemical product market in East China, and thus got acquainted with Borrower A. Separately, the Company got acquainted with Borrower B many years ago to enhance its chemical technology and develop new chemical products.

REASONS FOR ENTERING INTO THE LOAN AGREEMENTS

The terms of the Loan Agreements (including the interest rates) were determined after arm's length negotiations between the Lenders and the Borrowers, and taking into account the average borrowing interest rate of 5.32% taken out by the Group from a number of financial institutions. Taking into account the results of due diligence on the financial background and repayment ability of the Borrowers and the stable interest income expected to be generated from the loans, the Directors considered that the terms of the Loan Agreements were fair and reasonable, and the entering into of the same is in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the relevant percentage ratios (as defined under the Listing Rules) in respect of the maximum amount of financial assistance granted to each of Borrower A pursuant to the Loan Agreement A, and to Borrower B pursuant to each of the Facility Agreement, the First Supplemental Agreement and the Second Supplemental Agreement exceeded 5% but were under 25%, the transactions contemplated under each of the Loan Agreement A, the Facility Agreement, the First Supplemental Agreement and the Second Supplemental Agreement constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules and were therefore subject to the reporting and announcement requirements but exempt from Shareholders' approval requirement.

The Company should have complied with the relevant reporting and announcement requirements in respect of the Loan Agreements, as and when such obligations arose. Regrettably, due to the oversight of the senior management of the Lenders who failed to report the Loan Agreements to the Board at the material time, compliance with the relevant reporting and announcement requirements under the Listing Rules had been overlooked.

The Company has taken remedial actions to avoid recurrence in the future and will continue to strengthen the internal compliance system of the Company.

REMEDIAL MEASURES

The Board would like to stress that it was isolated incident and that the Company had no intention to withhold any information relating to the Loan Agreements from disclosure. Taking into consideration the above reasons and benefits of the Loan Agreements, the Directors (including the independent non-executive Directors) considered that the Loan Agreements were made on normal commercial terms, and terms of the Loan Agreements were fair and reasonable and in the interests of the Shareholders of the Company as a whole.

To prevent the re-occurrence of the current incident, the Company adopted the following measures and will continue to strengthen its internal compliance system:

1. the Company has reviewed all previous loan transactions carried out by the Group in the past two years and as of the date of this submission, the Company is not aware of any subsisting transaction which is required to be but has not yet been reported and/or announced by the Company, other than the Loan Agreements as disclosed in this announcement;
2. a letter has been issued by the Company to all the members of the senior management to remind them of the importance of strict compliance with the Listing Rules and to consult the company secretary and/or Hong Kong legal counsel for any possible transactions that may constitute notifiable transactions and/or other disclosures under the Listing Rules;
3. the Company has re-issued the relevant guidance and training materials, in particular, regarding the definition of a transaction and calculation methodology under the Listing Rules to senior management team, to strengthen and reinforce their existing knowledge with respect to notifiable transactions. Additional training session on the classification and compliance requirements for notifiable transactions under the Listing Rules will be given to members of the senior management;

4. the Company will set up a reporting guideline such that members of the senior management shall report those transactions which are not in the ordinary course of business of the Group but may constitute potential notifiable transactions to the company secretary for review prior to the entering into of those transactions. The company secretary shall then assess the proposed transactions and ascertain the relevant compliance requirements under the Listing Rules and report to the Board for approval; and
5. the Company will maintain closer co-operation with its professional advisers, and seek advice from its external legal advisers on whether a proposed transaction will trigger any disclosure or compliance requirements under the Listing Rules.

DEFINITIONS

“Advance”	each borrowing of a portion of the Available Facility by Borrower B or, as the case may be, the principal amount of that borrowing or the re-borrowing of an Advance in accordance with Facility Agreement as supplemented by the Supplemental Agreements
“Available Facility”	the undrawn and uncanceled balance of the maximum amount to be granted under the Loan Facility
“Availability Period”	the period during which the Loan Facility is made available under the Facility Agreement (as supplemented), being 19 months commencing from 1 June 2021 and ending on 31 December 2022
“Board”	board of directors of the Company
“Borrower A”	Jiangsu Jian Tu Trading Co., Ltd., the borrower under the Loan Agreement A, being an Independent Third Party to the Company
“Borrower B”	Changzhou Chuan Peng New Material Technology Co., Ltd., the borrower under the Facility Agreement, being an Independent Third Party to the Company
“Borrowers”	Borrower A and Borrower B
“Company”	Ko Yo Chemical (Group) Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Facility Agreement”	the Facility Agreement dated 1 June 2021 entered into between Lender B and Borrower B relating to the granting of the Loan Facility
“First Supplemental Agreement”	the supplemental agreement dated 28 November 2021 entered into between Borrower B and Lender B to amend the Facility Agreement

“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s) (and in case of company(ies) and corporation(s), their ultimate beneficial owner(s)) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Lender A”	Guang’an Ko Yo Trading Co., Ltd., a company incorporated in the People’s Republic of China with limited liability and a wholly owned subsidiary of the Company
“Lender B”	Jiangsu Ko Yo Biomaterial Co., Ltd., a company incorporated in the People’s Republic of China with limited liability and a wholly owned subsidiary of the Company
“Lenders”	Lender A and Lender B
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement A”	the loan agreement dated 25 November 2021 entered into between Lender A and Borrower A relating to the granting of the loan
“Loan Agreements”	Loan Agreement A and Facility Agreement (as supplemented by the Supplemental Agreements)
“Loan Facility”	the facility granted by Lender B to Borrower B pursuant to the terms of the Facility Agreement as supplemented by the Supplemental Agreements
“percentage ratio(s)”	percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Second Supplemental Agreement”	the supplemental agreement dated 1 March 2022 entered into between Borrower B and Lender B to amend the Facility Agreement (as supplemented by the First Supplemental Agreement)

“Shareholders”	holders of the ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreements”	the First Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement
“Third Supplemental Agreement”	the supplemental agreement dated 1 April 2022 entered into between Borrower B and Lender B to amend the Facility Agreement (as supplemented by the First Supplemental Agreement and the Second Supplemental Agreement)
“%”	per cent.

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

Hong Kong, 6 September 2022

As at the date of this announcement, the Board comprises three executive Directors, being Mr. Tang Guoqiang, Mr. Shi Jianmin and Mr. Zhang Weihua; and three independent non-executive Directors, being Mr. Hu Xiaoping, Mr. Xu Congcai and Mr. Le Yiren.