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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 IN RELATION TO THE DISPOSAL OF 90% EQUITY INTEREST IN THE TARGET COMPANY

THE DISPOSAL

The Board is pleased to announce that on 26 October 2026 (after trading hours), the Vendor (a wholly owned subsidiary of the Company) and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase 90% equity interest in the Target Company for a consideration of RMB27,000,000, subject to the terms and conditions of the Sale and Purchase Agreement.

As at the date of this announcement, the Company owns 90% of the equity interest in the Target Company through the Vendor. The Purchaser does not hold any equity interest or other interest in the Target Company. Upon Completion, the Purchaser will own 90% of the equity interest in the Target Company and the Target Company will cease to be a subsidiary of the Company. Accordingly, the financial information of the Target Company will cease to be consolidated into the consolidated financial statements of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceeds 5% but all of the percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company under the Listing Rules, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Save for Mr. Zhang, none of the Directors has any material interest in the Disposal, and none of the other Directors is required to abstain from voting on the relevant resolution(s) of the Board approving the Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder.

Completion of the Disposal is subject to the fulfilment of the Conditions as set out under the section headed "Conditions Precedent" in this announcement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

THE DISPOSAL

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THE SALE AND PURCHASE AGREEMENT

The principal terms and conditions of the Sale and Purchase Agreement are set out below:

Date

26 October 2026

Parties

Vendor: Ko Yo Hong Kong New Material Company Limited

Purchaser: Shanxi Jiayuan Investment Co., Ltd.* 山西佳源投資有限公司

As at the date of this announcement, the Vendor is a wholly owned subsidiary of the Company and owns 90% of the equity interest in the Target Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties.

Subject matter

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to sell and the Purchaser has agreed to buy 90% equity interest in the Target Company for a consideration of RMB27,000,000.

Consideration and payment terms

The Consideration for the Disposal is RMB27,000,000.

The Consideration shall be settled by the Purchaser by one or more cashier's orders, made payable to the Vendor or its nominee, or by remittance to the relevant bank account, in the following manner:

(i) within five Business Days (or on a later date as agreed by the Vendor and the Purchaser) upon signing of the Sale and Purchase Agreement, the Purchaser shall pay RMB27,000,000 to the Vendor as a refundable deposit (the "**Deposit**") and prepayment of the entire Consideration; and

(ii) upon Completion, the Deposit shall be applied in full towards settlement of the Consideration and no further payment shall be required from the Purchaser.

Notwithstanding the payment of the Deposit, prior to Completion, the Purchaser will not acquire any legal or beneficial ownership of, or any voting, management, control, dividend or other economic rights attaching to, the 90% equity interest in the Target Company. Such rights will only pass to the Purchaser upon Completion.

If the Purchaser fails to complete the Disposal due to its own default, or if the Purchaser breaches the Sale and Purchase Agreement resulting in the failure of the Disposal to complete on or before the Long Stop Date (or such other date as the Vendor and the Purchaser may agree in writing), the Vendor shall be entitled to deduct from the Deposit such losses, costs, expenses and damages actually suffered

by the Vendor arising from such breach and shall return the balance of the Deposit (if any) to the Purchaser. If such losses exceed the amount of the Deposit, the Vendor shall be entitled to recover the shortfall from the Purchaser.

Basis of the Consideration

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to, among others, (i) the preliminary appraised value of the Target Company of approximately RMB1.83 million as at 30 June 2026, prepared using the asset approach by Roma Appraisals Limited, an independent valuer with valuation qualifications; (ii) the past performance of the Target Company; (iii) the registered capital of the Target Company; (iv) the business prospects and earning capacity of the Target Company and (v) other factors as set out in the section headed "Reasons for and benefits of the Disposal" in this announcement.

The Consideration is the same as the original acquisition cost paid by the Group for the 90% equity interest in the Target Company in 2022, reflecting the Target Company's current financial position and the status of the propylene oxide project.

Taking into consideration of the above, the Board believes that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion is conditional upon, among others, the following conditions ("**Conditions**") being satisfied (or waived, if applicable) on or before the Long Stop Date:

(i) the Vendor and the Purchaser having signed the Sale and Purchase Agreement;

(ii) the Purchaser having paid the Deposit;

(iii) the Purchaser having been provided with a reasonable opportunity to conduct such due diligence review on the Target Company as it considers necessary;

(iv) the approvals to the Sale and Purchase Agreement and the transactions contemplated thereunder from the followings having been obtained:

  (a) the board of directors of the Vendor;

(b) the Board;

(c) the board of directors of the Purchaser;

(v) each of the Vendor's warranties and representations is true, correct, accurate and not misleading in all material respects, and the Vendor has not, in any material respect, breached any of its warranties and representations;

(vi) all consents, authorisations or approvals alike required for the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained and not having been revoked before the Completion Date;

(vii) all required authorisations, registrations, filings, confirmations, licenses, consents, permissions, approvals, notifications, and filing procedures (including but not limited to those arising from changes in major shareholders) in connection with the transactions contemplated under the Sale and Purchase Agreement having been obtained from or completed with all relevant government agencies and regulatory authorities, the Stock Exchange or any other competent regulatory authorities in other jurisdictions; and

(viii) the representations, warranties, and undertakings made by the Vendor and the Purchaser under the Sale and Purchase Agreement are true, accurate, and not misleading in all material respects as of the date of the Sale and Purchase Agreement and as of the Completion Date.

Save for Condition (vii) above, and any other Conditions which are not capable of being waived pursuant to applicable laws, regulations or the Listing Rules, the remaining Conditions may be waived, in whole or in part, by the party entitled to the benefit thereof by written notice to the other party.

As at the date of this announcement, Conditions (i), (iii), (iv) and (v) have been fulfilled.

If the above Conditions are not satisfied (or waived, as the case may be) on or before the Long Stop Date, then unless such failure is due to the Purchaser's failure to perform its obligations under the Sale and Purchase Agreement, the Vendor shall refund to the Purchaser the full amount of the Deposit paid by the Purchaser (without interest) in accordance with the terms of the Sale and Purchase Agreement, and the Sale and Purchase Agreement shall thereupon terminate, following which all

rights and obligations of the parties shall cease immediately, and no party shall have any obligations and liabilities under the Sale and Purchase Agreement save for those expressly surviving termination and any antecedent breaches of its terms.

Completion

Completion shall take place on the Completion Date, being the fifth Business Day immediately following the day of the fulfilment (or waiver, as applicable) of all the Conditions or on such other date as the Purchaser and the Vendor may agree in writing. As at the date of this announcement, the Vendor has provided a guarantee in favour of a bank in respect of banking facilities of approximately RMB87 million granted to the Target Company, which is expected to be released or transferred to the Purchaser upon Completion.

Upon Completion, the Purchaser will own 90% of the equity interest in the Target Company and the Target Company will cease to be a subsidiary of the Company. Accordingly, the financial information of the Target Company will cease to be consolidated into the consolidated financial statements of the Group.

INFORMATION ON THE PARTIES

The Company and the Group

The Company is the holding company of the Group, which is listed on the Main Board of the Stock Exchange. The Group is principally engaged in the manufacturing and sale of chemical fertilisers and chemical products in the PRC.

The Vendor

The Vendor is a company incorporated in Hong Kong with limited liability and is a wholly owned subsidiary of the Company. It is principally engaged in investment holding.

The Purchaser

The Purchaser is a company incorporated in the PRC with limited liability and is principally engaged in investment and asset management using its own funds.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties as at the date of this announcement.

The Target Company

The Target Company is owned as to 90% by the Vendor and 10% by Jiangsu Bluestar Green Technology Co., Ltd., and is mainly engaged in (i) manufacturing and sale of chemical products; and (ii) research and development of chemical products.

Jiangsu Bluestar Green Technology Co., Ltd. is directly owned as to (i) approximately 92.5% by Jiangsu Kangtai Holdings (Group) Co., Limited* 江蘇康泰控股集團有限公司, which is in turn owned as to approximately 99.85% by Mr. Zhang Weihua ("**Mr. Zhang**"), an executive Director, and approximately 0.15% by his family member; and (ii) approximately 7.5% by Changzhou City Jintan District Ronghua Investment Management Centre* 常州市金壇區榮華投資管理中心, which is wholly-owned by Mr. Zhang's relative.

Financial Information of the Target Company

Set out below is a summary of the financial information of the Target Company for the two years ended 31 December 2024 and 2025 and six months ended 30 June 2026:

	For the year ended 31 December 2024	**For the year ended 31 December 2025**	**For the six months ended 30 June 2026**
	RMB'000 (audited)	*RMB'000* (audited)	*RMB'000* (unaudited)
Profit/(loss) before taxation	(44,753)	(15,653)	(2,749)
Profit/(loss) after taxation	(44,753)	(15,653)	(2,749)

Based on the management account of the Target Company as at 30 June 2026, the unaudited net liabilities of the Target Company were approximately RMB194.9 million. As at 30 June 2026, the unaudited carrying net liabilities of the Group's 90% equity interest in the Target Company was approximately RMB175.4 million. The preliminary appraised value of the 90% equity interest in the Target Company as at 30 June 2026 was approximately RMB1.65 million.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The deterioration in market conditions, including increases in raw material prices, has resulted in a challenging operating environment and placed funding pressure on the Group. Based on the management accounts of the Target Company as at 30 June 2026, the Target Company had net current liabilities of approximately RMB1,148 million. The Disposal is expected to reduce the Group's net current liabilities, while the proceeds from the Disposal will improve the Group's liquidity and cash flow position. In addition, the Target Company has recorded losses for successive years, which have adversely affected the Group's cash flow.

The Group is principally engaged in the manufacturing and sale of chemical products and chemical fertilisers, including methanol, urea and ammonia. The Target Company is mainly engaged in manufacturing and sale of chemical products; and research and development of chemical products.

The Group acquired 90% equity interest in the Target Company in 2022 at a consideration of RMB27,000,000. At the time of the acquisition, the Group considered that the acquisition would allow the Group to pursue vertical integration and participate in the development of the Target Company's propylene oxide production line. Since completion of the acquisition, the Group has continued to monitor the development of the Target Company and the market conditions of the relevant chemical products.

Since the acquisition of the Target Company in 2022, the Group has undertaken the development and construction of the propylene oxide production line. As disclosed in the annual report of the Company for the year ended 31 December 2025 ("**2025 Annual Report**"), the main construction of the 400,000 tonnes/year propylene oxide project is basically completed and has entered into the commissioning, testing, and procedure handling stage. However, production and trial production will be conducted contingent on market conditions of the products. The Target Company has not generated any revenue from its propylene oxide business. In view of the prevailing market conditions and increases in raw material prices, the Board considers that the production of propylene oxide by the Target Company is not expected to be profitable.

As at 30 June 2026, the Target Company had unaudited net liabilities of approximately RMB194.9 million and accumulated losses of approximately RMB215.8 million. The Target Company also had outstanding amounts due to the Group of approximately RMB40 million, representing intercompany funding

provided by the Group to finance the Target Company's operations and the construction of the propylene oxide production line. The Purchaser has agreed to procure the settlement of such outstanding amount within one year after Completion.

In addition, the Vendor has provided a guarantee in favour of a bank in respect of banking facilities of approximately RMB87 million granted to the Target Company. The Purchaser will arrange for the transfer of such guarantee from the Vendor to the Purchaser upon Completion, such that the Vendor and the Group shall be released from all obligations thereunder. Save as disclosed above, as at the date of this announcement, neither the Group nor any of its subsidiaries has any other outstanding loans, guarantees or financial support provided to the Target Company.

The Group recorded a loss attributable to owners of the Company of approximately RMB747 million for the year ended 31 December 2025, representing an increase in loss of approximately RMB242 million as compared to 2024. The increase in loss was mainly due to, among other factors, a decrease in market prices of products, impairment losses on property, plant and equipment, and the challenging operating environment in the chemical fertiliser and chemical industries.

Having regard to the Group's current strategic priorities as set out in the 2025 Annual Report, the Board has determined to re-focus the Group's resources on its core chemical fertiliser business and the stable operation of its existing production plants, which have demonstrated more stable returns and stronger market positioning. The Board considers that the Target Company's propylene oxide business is no longer aligned with the Group's near-to-medium-term strategic direction, which is focused on, among others, cost reduction, energy-saving renovations, and digital transformation of existing operations. The Disposal will also enable the Group to, among other things, unlock the value of its investment in the Target Company and realise cash proceeds, avoid the substantial further capital expenditure that would otherwise be required to bring the propylene oxide production line to full commercial production, and instead deploy such capital towards the Group's existing plants and priority projects; and simplify the Group's corporate structure and reduce the administrative and compliance costs associated with maintaining the Target Company as a subsidiary.

Having considered (i) the loss-making and net liability position of the Target Company; (ii) the status of the propylene oxide project and the uncertainty as to the timing of full commercial production; (iii) the further funding and management resources required for the Target Company; (iv) the challenging market conditions of

the relevant chemical products; (v) the Group's overall financial position and strategic focus; and (vi) the valuation of the Target Company, the Board considers that the Disposal provides an opportunity for the Group to realise its investment in the Target Company and reduce its future funding exposure.

The Directors consider that the terms of the Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

The Company expects to record an unaudited net gain on the Disposal of approximately RMB86.8 million. The expected gain is calculated based on the Consideration of RMB27 million add (i) the carrying value of the net liabilities of the Target Company attributable to the Group of approximately RMB194.9 million as at 30 June 2026; less (ii) the estimated expenses directly attributable to the Disposal of approximately RMB0.5 million; (iii) the minority interest of the Target Company with amount of approximately RMB9.1 million; and (iv) the related reserve and equities in the amount of approximately RMB125.5 million. The actual amount of gain or loss as a result of the Disposal to be recorded by the Group will be subject to review and final audit by the auditor of the Company.

Use of Proceeds

The net proceeds from the Disposal, after deducting the expenses directly attributable to the Disposal, are estimated to amount to approximately RMB26.5 million. The Company intends to use the net proceeds for general working capital purposes of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceeds 5% but all of the percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company under the Listing Rules, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Save for Mr. Zhang, none of the Directors has any material interest in the Disposal, and none of the other Directors is required to abstain from voting on the relevant resolution(s) of the Board approving the Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder.

WARNING

Completion of the Disposal is subject to the fulfillment of the Conditions as set out under the section headed "Conditions Precedent" in this announcement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the meanings as set out below:

"associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors;
"Business Day(s)"	means a day (other than Saturdays, Sundays, public holidays, and on which a tropical cyclone warning No. 8 or above or a "black rainstorm warning signal" is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are open for general banking business;
"Company"	Ko Yo Chemical (Group) Limited (Stock Code: 827), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
"Completion"	the completion of the Disposal in accordance with the terms of the Sale and Purchase Agreement;
"Completion Date"	the fifth Business Day immediately following the day of the fulfilment (or waiver, as applicable) of all the Conditions or on such other date as the Purchaser and the Vendor may agree in writing;

"Conditions"	the conditions precedent required for the completion of the Sale and Purchase Agreement as set out in the section headed "Conditions Precedent" in this announcement;
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules;
"Consideration"	the total consideration of RMB27,000,000 payable by the Purchaser to the Vendor for the Disposal as described under the section headed "The Sale and Purchase Agreement" in this announcement;
"Director(s)"	director(s) of the Company;
"Disposal"	the disposal of 90% equity interest in the Target Company by the Vendor to the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Third Party(ies)"	third party(ies) independent of the Company and its connected persons in accordance with the Listing Rules;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Long Stop Date"	31 December 2026, or such other date as agreed by the Vendor and the Purchaser;
"PRC"	the People's Republic of China;

"Purchaser"	Shanxi Jiayuan Investment Co., Ltd.* 山西佳源投資有限公司, a company incorporated in the PRC with limited liability;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale and Purchase Agreement"	The sale and purchase agreement dated 26 October 2026 entered into between the Vendor and the Purchaser in respect of the Disposal;
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of the Share(s);
"Stock Exchange"	the Stock Exchange of Hong Kong Limited;
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules;
"Target Company"	Jiangsu Bluestar Green Material Co., Ltd.* 江蘇藍色星球環保新材料有限公司, a company established in the PRC with limited liability, which is owned as to 90% by the Vendor and 10% by Jiangsu Bluestar Green Technology Co., Ltd. as at the date of the Sale and Purchase Agreement;
"Vendor"	Ko Yo Hong Kong New Material Company Limited, a company incorporated in Hong Kong with limited liability and is a wholly owned subsidiary of the Company; and
"%"	per cent.

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

Hong Kong, 26 October 2026

As at the date of this announcement, the Board comprises three executive Directors, being Mr. Tang Guoqiang, Mr. Fan Chao and Mr. Zhang Weihua, and three independent non-executive Directors, being Mr. Xu Congcai, Mr. Le Yiren and Ms. Lu Yi.

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK$ is calculated at the approximate exchange rate of RMB1.00 to HK$1.17. This exchange rate is adopted for the purpose of illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rates at all.

* *for identification purposes only*