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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)

SUPPLEMENTAL ANNOUNCEMENT DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF 90% EQUITY INTEREST IN THE TARGET COMPANY

Reference is made to the announcement of Ko Yo Chemical (Group) Limited (the "**Company**") dated 26 October 2026 (the "**Announcement**") in relation to the Disposal. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Company would like to provide further information in relation to the Disposal as set out below.

THE IDENTITIES OF THE ULTIMATE BENEFICIAL OWNERS OF THE PURCHASER

As disclosed in the Announcement, the Purchaser is Shanxi Jiayuan Investment Co., Ltd.* 山西佳源投資有限公司, a company incorporated in the PRC with limited liability. As at the date of this supplemental announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser is directly owned as to 35% by Mr. Wu Dechen (武德琛), 35% by Mr. Wu Dejin (武德晋), 10% by Mr. Wu Chonggui (武崇貴), 10% by Mr. Wu Deyu (武德瑜), and 10% by Ms. Tian Naiping (田乃萍).

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser, its ultimate beneficial owners and each of its shareholders are Independent Third Parties as at the date of this supplemental announcement.

BASIS OF THE CONSIDERATION AND VALUATION

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser, with reference to the following quantitative and qualitative factors (in addition to the factors set out in the Announcement):

(i) The Valuation

As disclosed in the Announcement, the Consideration was determined with reference to, among others, the preliminary appraised value of the Target Company of approximately RMB1.65 million (for the 90% equity interest) as at 30 June 2026. The Board would like to provide the Shareholders and potential investors of the Company with further information in relation to the valuation prepared by Roma Appraisals Limited, an independent valuer with valuation qualifications (the "**Valuer**").

Scope of Work and Source of Information

The Valuer has been instructed to conduct a valuation of the market value of 100% equity interest in the Target Company. The Valuer had conducted the following processes to evaluate the reasonableness of the adopted bases and assumptions:

(i) discussed with the management of the Company and obtained relevant financial information in respect of the Target Company;

(ii) examined the relevant bases and assumptions of the financial information in respect of the Target Company;

(iii) conducted appropriate research to obtain sufficient market data and statistical figures; and

(iv) presented the purpose and basis of valuation, scope of work, overview of the Target Company, related key business descriptions, source of information, major assumptions, valuation methodology, and the opinion of value in the valuation report.

In performing the valuation, the Valuer had relied on the unaudited financial statements of the Target Company as at 30 June 2026, the relevant corporate and commercial documents of the Target Company, as well as other publicly available information gathered through the Valuer's own research. In analyzing the information, the Valuer had held discussions with the management of the Company.

Major Assumptions

The valuation is based on the following major assumptions adopted by the Valuer:

(i) the Target Company will continue to operate and be developed as planned by the management;

(ii) all relevant legal approvals, business certificates, and licenses to operate the business in the localities in which the Target Company operates or intends to operate will be officially obtained and renewable upon expiry;

(iii) there will be sufficient supply of technical staff in the chemical industry, and the Target Company will retain competent management, key personnel, and technical staff to support its ongoing operations and developments;

(iv) there will be no major change in the current taxation laws, the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

(v) there will be no major change in the political, legal, economic, or financial conditions in the PRC that would adversely affect the revenues attributable to and profitability of the Target Company; and

(vi) interest rates and exchange rates in the PRC will not differ materially from those prevailing as at the valuation date.

Valuation Methodology and Approach

There are generally three accepted approaches to obtain the market value of 100% equity interest in the Target Company, namely the Market Approach, the Income Approach, and the Asset-Based Approach. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

The Market Approach values a business entity by comparing prices at which other business entities of a similar nature changed hands in arm's length transactions. By adopting this approach, the Valuer will first look for valuation indication of prices of other similar business entities that have been sold recently. The right transactions employed in analysing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

The Income Approach focuses on the economic benefits due to the income-producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits. Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital. Under the Asset-Based Approach, the market value of equity of a business entity refers to the market values of various assets and liabilities on the statement of financial position of the business entity as at the measurement date, in which the market value of each asset and liability was determined by reasonable valuation approaches based on its nature.

The selection of the valuation approach is based on, among others, the quantity and quality of information provided, access to available data, availability of relevant market transactions, type and nature of subject assets, purpose and objective of the valuation, and professional judgment.

Among the three approaches, the Valuer considered that the Asset-Based Approach was the most appropriate to value the equity of the Target Company as the main assets owned by the Target Company were construction-in-progress, fixed assets, and intangible assets. The Income Approach was not adopted because the Target Company currently has not generated any revenue from its propylene oxide business and has been loss-making since its acquisition, making future cash flow projections highly speculative and the valuation could be significantly affected by any inappropriate assumptions. The Market Approach was not adopted either, due to the lack of comparable companies or comparable equity transactions involving similar chemical production facilities that are in a pre-operational, loss-making state. Therefore, among the three approaches, the Valuer considered that the Asset-Based Approach is more appropriate for valuing the entire equity interest in the Target Company.

Appraised Value

The calculation of the appraised value of the Target Company is illustrated as follows:

Net Asset Value of the Target Company as at 30 June 2026 (RMB)	2,173,277
x Marketability Discount	(1–15.66%)*
Market value of 100% Equity Interest of the Target Company (RMB)	1,832,942
Market value of 100% Equity Interest of the Target Company (RMB) (Rounded)	**1,830,000**

* *Note:* A Discount for Lack of Marketability (DLOM) of 15.66% was applied to the appraised net asset value. This was determined with reference to the median discount rate published in the Stout Restricted Stock Study by Stout Risius Ross, LLC, given that the Target Company is a private entity with no ready market for its shares.

After applying the DLOM, the market value of 100% equity interest in the Target Company was approximately RMB1,830,000, and the appraised value of the 90% equity interest was approximately RMB1.65 million.

(ii) Difference between the appraised value of the Target Company and the Consideration

The Board would like to clarify that the Consideration was not predominantly determined by reference to the appraised value of the Target Company alone. The appraised value reflects the Target Company's current distressed financial position and its status as a non-operating entity. In contrast, the Consideration was determined after arm's length negotiations between the Vendor and the Purchaser, and was primarily based on the following factors:

The original acquisition cost and registered capital of the Target Company

The Consideration of RMB27,000,000 is exactly equal to the original acquisition cost paid by the Group for the 90% equity interest in the Target Company in September 2022.

Furthermore, the registered capital of the Target Company is RMB30,000,000, representing the amount of capital initially injected into the Target Company by its shareholders. The Consideration of RMB27,000,000 represents exactly 90% of this registered capital amount. The Board notes that the registered capital reflects the shareholders' historical investment in the Target Company.

The original acquisition cost and the registered capital of the Target Company served as reference points in the negotiations between the Vendor and the Purchaser.

The Target Company's past performance, business prospects and earning capacity

Since the acquisition in 2022, the Target Company has been loss-making and its propylene oxide project has not generated any revenue. In particular, the Target Company recorded net losses of approximately RMB44,753,000, RMB15,653,000, and RMB2,749,000 for the years ended 31 December 2024 and 31 December 2025, and the six months ended 30 June 2026, respectively. The net loss decreased by approximately 65.0% from 2024 to 2025, although the Target Company remained loss-making. The Target Company's primary asset is the propylene oxide production line with a planned annual production capacity of 400,000 tonnes. As disclosed in the Announcement, while the main

construction of this production line is substantially completed and has entered the commissioning, testing, and procedure handling stage, it has not yet commenced commercial production and has generated no revenue.

The Board has carefully assessed the business prospects of the Target Company. The propylene oxide production line experienced delays in its construction, and the prevailing market conditions, including increases in raw material prices, have impacted the timing of its commercialisation. It is not expected to be profitable to commence production under current market conditions. Furthermore, the Target Company requires further capital expenditure to bring the production line to full commercial production. By disposing of the Target Company, the Group is transferring the future capital requirements and operational risks of the project to the Purchaser, who is willing to undertake them. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, notwithstanding the Target Company's current loss-making position and lack of revenue from the propylene oxide business, the Purchaser has independently assessed the Target Company and believes in the long-term prospects of the propylene oxide project, viewing the acquisition as an opportunity to acquire a chemical production facility at a cost that is lower than building a new facility from scratch. The Purchaser is also aware that significant replacement cost and time would be required to establish a comparable facility. In addition, the Purchaser has indicated that it is prepared to inject the necessary capital to advance the project.

Having considered the quantitative inputs and qualitative factors set out above and in the Announcement, and notwithstanding that the Consideration exceeds the appraised value of the Target Company, the Directors (including the independent non-executive Directors) are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Save as disclosed in this supplemental announcement, all other information and contents set out in the Announcement remain unchanged and continue to be valid for all purposes.

Shareholders and potential investors should note that Completion is subject to the satisfaction or waiver, if applicable, of the Conditions as set out in the Sale and Purchase Agreement. Therefore, the Disposal may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 5 November 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 identification purposes only*