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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)

Clarification Announcement

Reference is made to annual results announcement dated 29 March 2018 (the “Results Announcement”) and annual report dated 9 April 2018 (the “Annual Report”) of Ko Yo Chemical (Group) Limited (the “Company”, together with its subsidiaries, collectively the “Group”) for the financial year ended 31 December 2017.

The board of directors of the Company would like to provide information as follows:

The Company recorded a significant loss on fair value changes on derivative financial assets of RMB186 million was due to the change in fair value of the put option (the “Put Option”) as stated in Note 25 to the consolidated financial statements in the Results Announcement and the Annual Report. The fair value of the Put Option declined from RMB227 million in 31 December 2016 to RMB41 million in 31 December 2017, was mainly due to the decrease in time value of the Put Option. As the Put Option approached the maturity date of 17 January 2018, the time value of the Put Option would decline accordingly.

According to Hong Kong Accounting Standard 39 Financial Instruments: Recognition and Measurement, derivatives are initially recognised and subsequently measured at fair value. Changes in the fair value of derivatives are recognised in profit or loss as they arise. Therefore, the change in the fair value of Put Option amounting to RMB186 million is recognized in profit or loss.

By Order of the Board
Ko Yo Chemical (Group) Limited
Chairman
Wu Tianran

Hong Kong, 11 April 2018

As at the date of this announcement, the Board comprises four executive directors, being Mr. Wu Tianran, Mr. Li Weiruo, Mr. Yuan Bai and Mr. Wan Congxin, 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.