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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)**

### **BUSINESS UPDATE**

This announcement is made by Ko Yo Chemical (Group) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis.

The Company wishes to update its shareholders and potential investors on the recent developments of the negotiations with the relevant banks on the renewals of certain loans extended to the Group:

A. Sichuan Ko Yo Agrochem Co., Ltd.

*Bank of Communications Limited*

Reference is made to the announcement (the “**Announcement**”) dated 15 September 2020 of the Company in relation to, among others, the loan agreement entered into between Sichuan Ko Yo Agrochem Co., Ltd. (“**Koyo Agrochem**”), a wholly owned subsidiary of the Company and the Bank of Communications Limited (“**BOCOM**”) for an aggregate principal loan amount of RMB68,000,000 (“**Agrochem Loan A**”). On 30 October 2020, the Intermediate People’s Court of Chengdu Municipality, Sichuan Province\* (四川省成都市中級人民法院) (the “**Chengdu Intermediate Court**”) issued a judgment (the “**Judgment**”) pursuant to which Koyo Agrochem was required to repay the Agrochem Loan A. Following the handing down of the Judgment, on 16 November 2020, the Company provided a repayment schedule in respect of the Agrochem Loan A to BOCOM. The Company is engaged in the negotiation process with BOCOM with an aim to renew and/or restructure the Agrochem Loan A. As at the date of this announcement, no action has been initiated by BOCOM in enforcing the Judgment.

*China Minsheng Bank*

On 24 September 2019, Koyo Agrochem and China Minsheng Bank (“**Minsheng Bank**”) entered into a supplemental loan agreement for the principal loan amount of RMB70,000,000, repayable on 28 August 2020 (“**Agrochem Loan**”). The Agrochem Loan was secured by a pledge of office premises located in Chengdu and guaranteed by a

number of guarantors. Due to the events as stated in the Announcement in relation to the Dazhou Loan (which was guaranteed by Koyo Agrochem), Minsheng Bank initiated legal action against Koyo Agrochem and a judgement was handed down by the Chengdu Intermediate Court on 14 December 2020 (the “**Agrochem Judgment**”). The Company is engaged in negotiation process with Minsheng Bank with an aim to renew and/or restructure the Agrochem Loan. Minsheng Bank is withholding further legal actions against Koyo Agrochem pending the negotiations of the renewal and/or restructuring of the Agrochem Loan.

#### B. Guangan Ko Yo New Material Company Limited

In March 2019, Guangan Ko Yo New Material Company Limited (“**Koyo New Material**”), a wholly owned subsidiary of the Company and the Export-Import Bank of China (“**EXIM Bank**”) entered into a supplemental agreement to the loan agreement dated 31 July 2015 in relation to the renewal of an aggregate principal loan amount of RMB90,000,0000 (“**New Material Loan**”), pursuant to which the last repayment of the New Material Loan were extended to March 2021. EXIM Bank subsequently requested for an early repayment of the New Material Loan, and initiated legal action against Koyo New Material in relation to the New Material Loan with outstanding amount of RMB76,919,767.54 at the No. 4 Intermediate People’s Court of Beijing Municipality\* (北京市第四中級人民法院). On 28 December 2020, the No. 4 Intermediate People’s Court of Beijing Municipality\* issued a judgment (the “**New Material Judgment**”) pursuant to which Koyo New Material was required to repay the New Material Loan. Following the handing down of the New Material Judgment, the Company and EXIM Bank entered into negotiation, aiming at arriving at a possible repayment schedule in respect of the New Material Loan. As at the date of this announcement, no action has been initiated by EXIM Bank in enforcing the New Material Judgment.

As at the date of this announcement, the Company is actively negotiating with BOCOM, Minsheng Bank and EXIM Bank to renew and/or restructure the Agrochem Loan A, the Agrochem Loan and the New Material Loan, and no action has been initiated by the relevant creditors in enforcing the above-mentioned judgments. Based on the information currently available to the Company, the amounts involved in the above-mentioned judgments have already been recorded in the Company’s financial statements, and the limited impact on the Company’s operation and financial positions, and its relationships with other financial institutions, the Company considers that the above matters will not have material adverse impact on its operating results and financial conditions, and will not affect the normal operation of the Group.

Further announcement will be made to update on the major progress of the matters as and when appropriate.

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

Hong Kong, 4 January 2021

*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. Shi Lei and Mr. Xu Congcai.*