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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)

**PROPOSED ADOPTION OF SHARE OPTION SCHEME
AND
GRANT OF SHARE OPTIONS**

The Board is pleased to announce that it has resolved to propose:

- (1) the adoption of the New Share Option Scheme; and
- (2) the conditional grant of 300,000,000 Share Options (representing approximately 5.47% of the total issued share capital of the Company) to Mr. Shi Jianmin, an executive Director and the chief executive officer of the Company.

BACKGROUND

The Board is pleased to announce that on 10 July 2020, it has resolved to propose (a) the adoption of the New Share Option Scheme to further improve the governance structure of the Company and to attract, motivate and retain talents; and (b) the conditional grant of 300,000,000 Share Options to Mr. Shi Jianmin (“**Mr. Shi**”) (representing approximately 5.47% of the total issued share capital of the Company upon exercise of all the Share Options to be granted to him under the New Share Option Scheme, assuming no change in the total issued share capital of the Company at the EGM since the date of this announcement).

The New Share Option Scheme will constitute a share option scheme under Chapter 17 of the Listing Rules. The New Share Option Scheme is conditional upon:

- (i) the passing of the relevant resolution(s) by the Shareholders at the EGM to approve and adopt the New Share Option Scheme, authorise the Board to grant Share Options under the New Share Option Scheme, to issue and allot Shares pursuant to the exercise of any Share Options to be granted pursuant to the New Share Option Scheme; and
- (ii) the Listing Committee granting approval for the listing of, and permission to deal in, any Shares to be issued and allotted pursuant to the exercise of the Share Options under the New Share Option Scheme.

An application will be made to the Listing Committee for the listing of, and permission to deal in, the Shares to be issued and allotted pursuant to the exercise of the Share Options granted under the New Share Option Scheme.

As at the date of this announcement, there remains 6,500,000 share options granted under the 2008 Share Option Scheme.

NEW SHARE OPTION SCHEME

A summary of key terms of the New Share Option Scheme is set out below. Further details of the terms of the New Share Option Scheme will be set out in a circular to be despatched to the Shareholders in due course.

- Purpose : The purposes of the New Share Option Scheme are:
- (i) to encourage the Participants to perform their best in achieving the goals of the Group and at the same time allow the Participants to enjoy the results of the Group attained through their efforts and contributions; and
 - (ii) to provide the Participants with incentives and help the Group in retaining its existing employees and recruiting additional employees.
- Maximum quantity of grant : (i) the maximum number of Shares to be issued upon the exercise of the Share Options granted under the New Share Option Scheme (and any other schemes) shall not in aggregate exceed 10% of the total share capital of the Company as at the date of approval of the New Share Option Scheme at the EGM;
- (ii) the number of Shares that may be issued upon the exercise of all granted but outstanding Share Options under the New Share Option Scheme (and any other schemes) shall not exceed 30% of the total number of issued Shares at any time; and
 - (iii) unless approved at a general meeting, the Shares issued and to be issued upon the exercise of the Share Options granted to any Participant (including exercised or outstanding share options) during the validity period of the New Share Option Scheme shall not exceed 1% of the total share capital of the Company.
- Exercise price : The exercise price of the Share Options shall be determined based on the principle of fair market value. The exercise price shall be not less than the highest of:
- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Grant Date;
 - (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the Grant Date; and
 - (iii) the nominal value of the Shares.

Grant Date	:	Each Grant Date shall be a trading day, and shall be determined by the Board after the New Share Option Scheme has been approved by the Shareholders at the EGM.
Restriction period	:	No restriction period under the New Share Option Scheme
Validity period of the Share Options	:	Ten years, from the Adoption Date
Minimum holding period and performance targets	:	The New Share Option Scheme does not specify any minimum holding period and/or performance targets before the Share Options can be exercised.
Authorisation to the Board	:	The Board will seek Shareholders' approval at the EGM to consider the New Share Option Scheme and authorise the Board to be responsible for the implementation and management of the New Share Option Scheme, such that the Board shall be the executive management body of the New Share Option Scheme.

CONDITIONAL GRANT OF SHARE OPTIONS TO MR. SHI

On 10 July 2020, the Board (including all the independent non-executive Directors) approved the conditional grant of 300,000,000 Share Options to Mr. Shi. The conditional grant of the Share Options to Mr. Shi is subject to (i) the adoption of the New Share Option Scheme; (ii) obtaining of the listing approval from the Stock Exchange; and (iii) Independent Shareholders' approval at the EGM.

Principal terms of the conditional grant to Mr. Shi are set out below:

Grant Date	:	10 July 2020
Number of Share Options conditionally granted to Mr. Shi	:	300,000,000 Share Options
Exercise price	:	HK\$0.141 per Share, which represents: <ul style="list-style-type: none"> (i) a premium of 80.8% over the closing price of HK\$0.078 per Share as stated in the daily quotations sheet by the Stock Exchange on 10 July 2020; (ii) a premium of 83.1% over the average closing price of HK\$0.077 per Share as stated in the daily quotations sheets by the Stock Exchange for the five trading days immediately preceding 10 July 2020; and (iii) a premium of 41% over the nominal value of HK\$0.10 per Share.

Restriction period	:	No restriction period
Purposes for the conditional grant	:	The Board believes that it is crucial to incentivize and align Mr. Shi's interest with that of the Company and its shareholders and the conditional grant of Share Options is both in line with and as an incentive for his continuing commitment and contribution to the Group in the future.

As at the date of this announcement, Mr. Shi held 200,300,000 Shares (representing approximately 3.65% of the total issued share capital of the Company) and will be holding a total of 500,300,000 Shares upon exercise of the conditionally granted Share Options in full (representing approximately 8.64% of the total issued share capital of the Company as enlarged by the issue of the Shares pursuant to the exercise of all Share Options to be granted to Mr. Shi under the New Share Option Scheme).

Mr. Shi, his associates and the core connected persons of the Company will abstain from voting on the resolution approving the grant of Share Options to Mr. Shi at the EGM. Any exercise of the Share Options by Mr. Shi shall be subject to the Company's compliance with the public float requirement under Rule 8.08 of the Listing Rules.

The Directors (including the independent non-executive Directors) consider that the terms of the New Share Option Scheme and the conditional grant of the Share Options to Mr. Shi are fair and reasonable and in the interests of Shareholders and the Company as a whole.

SHAREHOLDERS' APPROVAL

The Board will convene the EGM for the purposes of, among other things, seeking the approval from the Shareholders for the adoption of the New Share Option Scheme and conditional grant of the Share Options to Mr. Shi, and to issue and allot Shares pursuant to the exercise of the Share Options.

A circular containing, among other things, details of the New Share Option Scheme, the conditional grant of Share Options to Mr. Shi and other matters to be transacted at the EGM, together with the notice of the EGM and proxy form, will be despatched to the Shareholders as soon as practicable.

As at the date of this announcement, the New Share Option Scheme and the grant of Share Options remain subject to the approval of the Shareholders. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Company's securities.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“2008 Share Option Scheme”	the share option scheme adopted by the Company on 18 September 2008 and expired on 17 September 2018;
“Adoption Date”	the date on which the New Share Option Scheme is adopted by the Shareholder at the EGM;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	Ko Yo Chemical (Group) Limited, a company incorporated in the Cayman Islands with limited liability;
“core connected persons”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened to approve, among other things, the adoption of the New Share Option Scheme and the conditional grant of Share Options to Mr. Shi;
“Grant Date”	the date on which the Share Options are formally granted to the Participants by the Company, which is a trading day;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong;
“Independent Shareholders”	Shareholders other than Mr. Shi and his associates;
“Listing Committee”	the listing committee of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Share Option Scheme”	the new share option scheme proposed to be adopted by the Company at the EGM;
“Participants”	any Directors (including executive Directors, non-executive Directors and independent non-executive Directors, where applicable), employees of any member of the Group and Trustee;

“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company;
“Shareholder(s)”	the holder(s) of the Share(s);
“Share Option(s)”	share option(s) to be granted under the New Share Option Scheme;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed to it under the Listing Rules;
“Trustee”	the trustee of any trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any employee of the Group; and
“%”	per cent.

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

Hong Kong, 10 July 2020

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.