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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Ko Yo Chemical (Group) Limited, you should at once hand this circular, together with the enclosed form of proxy to the purchaser or the transferee or to the licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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 GRANT OF SHARE OPTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

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A notice convening the EGM of Ko Yo Chemical (Group) Limited (the “**Company**”) to be held at Suite No. 02, 31st Floor, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong on Friday, 9 October 2020, at 3.00 p.m., is set out on pages 28 to 30 of this circular. A form of proxy for use at the EGM is also enclosed with this circular.

Whether or not you are able to attend and vote at the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company’s share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong as soon as possible and in any event not later than 48 hours before the time for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

#### **PRECAUTIONARY MEASURES FOR THE EGM**

Please see page ii of this circular for measures being taken to try to prevent and control the spread of the novel coronavirus (COVID-19) at the EGM, including:

- compulsory temperature checks;
- compulsory wearing of surgical face masks for each attendee; and
- no distribution of corporate gifts or refreshments.

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the venue of the extraordinary general meeting. The Company also encourages its shareholders to consider appointing the chairman of the meeting as its/his/her proxy to vote on the relevant resolutions at the extraordinary general meeting as an alternative to attending the meeting in person.

18 September 2020

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## CONTENTS

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	<i>Page</i>
<b>Precautionary Measures for EGM.</b> . . . . .	ii
<b>Definitions</b> . . . . .	1
<b>Letter from the Board</b> . . . . .	4
Introduction . . . . .	4
Proposed Adoption of the New Share Option Scheme . . . . .	5
Grant of Share Options to Mr. Shi. . . . .	8
EGM . . . . .	14
Closure of Register of Members . . . . .	14
Responsibility Statement . . . . .	15
Recommendation . . . . .	15
General Information. . . . .	15
<b>Appendix – Principal Terms of the New Share Option Scheme.</b> . . . . .	16
<b>Notice of EGM</b> . . . . .	28

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## PRECAUTIONARY MEASURES FOR EGM

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In view of the ongoing novel coronavirus (“COVID-19”) pandemic and recent requirements, if any, for prevention and control of its spread, the Company will implement the following preventive measures at its EGM:

- (i) Compulsory body temperature check will be conducted on every shareholder, proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the EGM venue and be asked to leave the EGM venue.
- (ii) Shareholders that (a) have travelled, and have been in close contact with any person who has travelled, outside of Hong Kong (as per guidelines issued by the Hong Kong government at [www.chp.gov.hk/en/features/102742.html](http://www.chp.gov.hk/en/features/102742.html)) at any time in the preceding 14 days; (b) are, and have been in close contact with any person who is, subject to any Hong Kong Government prescribed compulsory quarantine (including home quarantine); (c) are, and have been in close contact with anyone who has contracted COVID-19, has been tested preliminarily positive of COVID-19 or is suspected of contracting COVID-19; or (d) have any flu-like symptoms, may be denied entry into the EGM venue and be asked to leave the EGM venue.
- (iii) All shareholders, proxies and other attendees are required to wear surgical face masks inside the EGM venue at all times. Any person who does not comply with this requirement may be denied entry into the EGM venue and be asked to leave the EGM venue. A safe distance between seats is also recommended.
- (iv) No refreshments will be served, and there will be no corporate gifts.

To the extent permitted under the laws of Hong Kong, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

In the interest of all stakeholders’ health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative to attending the meeting in person, shareholders are encouraged to consider appointing the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM by submitting forms of proxy with voting instructions inserted.

The form of proxy is attached to this circular for shareholders who opt to receive printed copies of the Company’s corporate communications. Alternatively, the form of proxy can be downloaded from the Company’s website at <http://www.koyochem.com> and the website of The Stock Exchange of Hong Kong Limited at <http://www.hkexnews.hk>. If you are not a registered shareholder (if your shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions 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 Shareholders at the EGM;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Business Day”	a day on which the Stock Exchange is open for business of dealing in securities;
“Company”	Ko Yo Chemical (Group) Limited, a company incorporated in the Cayman Islands with limited liability;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“core connected person(s)”	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;
“Grantee”	any Participant who accepts an Offer in accordance with the terms of the New Share Option Scheme, or (where the context so permits) any person who is entitled in accordance with applicable laws of succession to any such Option in consequence of the death of the original Grantee, or the legal personal representative of such person;
“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 People’s Republic of China;

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## DEFINITIONS

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“Independent Shareholders”	Shareholders other than Mr. Shi and his associates;
“Latest Practicable Date”	15 September 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
“Listing Committee”	the listing committee of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules;
“Mr. Shi”	Mr. Shi Jianmin, an executive Director and the chief executive officer of the Company;
“New Share Option Scheme”	the new share option scheme proposed to be adopted by the Company at the EGM, a summary of principal terms of which is set out in the Appendix to this circular;
“Offer”	the offer of the grant of a Share Option made by the Board in accordance with the terms of the New Share Option Scheme;
“Offer Date”	in respect of a Share Option, the date on which such Share Option is offered to to a Participant, which must be a Business Day;
“Option Period”	in respect of a Share Option, a period to be determined by the Board at its absolute discretion and notified by the Board to the Grantee as being the period of ten (10) years commencing on the date on which the Share Option is offered;
“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;

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## DEFINITIONS

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“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“Remuneration Committee”	the remuneration committee of the Board;
“Scheme Period”	a period commencing on the Adoption Date and ending on the tenth anniversary of the Adoption Date (both dates inclusive);
“Share Option(s)”	share option(s) to be granted under the New Share Option Scheme;
“Shareholder(s)”	the holder(s) of the Share(s);
“Shares”	ordinary share(s) of HK\$0.10 each in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of a Share Option pursuant to the terms of the New Share Option Scheme;
“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.

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LETTER FROM THE BOARD

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**Ko Yo Chemical (Group) Limited**

**玫源化工(集團)有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 00827)**

*Executive Directors:*

Mr. Tang Guoqiang (Chairman)  
Mr. Shi Jianmin (Chief Executive Officer)  
Mr. Zhang Weihua

*Registered office:*

Cricket Square Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Independent Non-executive Directors:*

Mr. Hu Xiaoping  
Mr. Shi Lei  
Mr. Xu Congcai

*Principal place of business in Hong Kong:*

Suite No. 02, 31st Floor  
Sino Plaza  
255-257 Gloucester Road  
Causeway Bay  
Hong Kong

18 September 2020

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED ADOPTION OF SHARE OPTION SCHEME  
GRANT OF SHARE OPTIONS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**1. INTRODUCTION**

Reference is made to the announcement dated 10 July 2020 of the Company in relation to the proposed adoption of the New Share Option Scheme and the conditional grant of Share Options to Mr. Shi. The purpose of this circular is to provide you with information on the proposed adoption of the New Share Option Scheme, the conditional grant of Share Options to Mr. Shi and the resolutions to be proposed at the EGM.

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## LETTER FROM THE BOARD

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### 2. PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME

#### A. Adoption of the New Share Option Scheme

In view of the expiration of the 2008 Share Option Scheme and to enable the Company to grant Share Options to the Participants to incentivize and reward them for their contributions to the success of the Group, the Board proposed to recommend to the Shareholders at the EGM to approve and adopt the New Share Option Scheme.

As at the Latest Practicable Date, there remained 6,500,000 share options granted under the 2008 Share Option Scheme. Details of the share options granted by the Company pursuant to the 2008 Share Option Scheme and share options outstanding as at the Latest Practicable Date are set out as follows:

*Number of share options under the 2008 Share Option Scheme*

	Share Options A	Share Options B	Share Options C	Total number of share options held as at the Latest Practicable Date
<b>Directors</b>				
Hu Xiaoping	800,000	400,000	–	1,200,000
<b>Employees</b>	–	3,800,000	1,500,000	5,300,000
<b>Total</b>	<b>800,000</b>	<b>4,200,000</b>	<b>1,500,000</b>	<b>6,500,000</b>

*Notes:*

1. Share Options A: granted on 23 November 2010, exercisable until 22 November 2020 with an exercise price at HK\$1.100.
2. Share Options B: granted on 28 March 2013, exercisable until 27 March 2023 with an exercise price at HK\$0.595.
3. Share Options C: granted on 22 June 2016, exercisable until 21 June 2026 with an exercise price at HK\$0.151.



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## LETTER FROM THE BOARD

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It is proposed that the New Share Option Scheme will take effect following the approval of the Shareholders at the EGM for the adoption of the New Share Option Scheme and the approval by the Listing Committee for the listing of, and permission to deal in, the Shares to be allotted and issued upon the exercise of the Share Options that may be granted under the New Share Option Scheme.

### **B. Reasons for adopting the New Share Option Scheme**

The Board proposed the adoption of the New Share Option Scheme, which will be valid for ten (10) years from the Adoption Date.

The purpose of the New Share Option Scheme is to enable the Company to grant Share Options to the Participants as incentives or rewards for their contributions to the Group and to promote the continued success of the Group. The New Share Option Scheme will provide the Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:–

- (i) 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) provide the Participants with incentive and help the Group in retaining and recruiting talents.

The Board considers that the New Share Option Scheme will motivate more individuals to make contributions to the Group, facilitate retention and recruitment of high-calibre individuals for the Group, and that it is the interests of the Group as a whole for the Participants to participate in the growth of, and make contribution to, the Group. Furthermore, the Board considers that the Participants will share common interests and objectives with the Group upon their exercise of the Share Options, which is beneficial to the long-term development of the Group. As such, the Directors consider that the adoption of the Scheme is in the interest of the Company and the Shareholders as a whole. The provisions of the Scheme will comply with the requirements under Chapter 17 of the Listing Rules.

The terms of the New Share Option Scheme provide that the Board may specify the Participants to whom Share Options shall be granted, the number of Shares subject to each Share Option and the date on which the Share Options shall be granted. The basis for determining the Subscription Price is also specified precisely in the rules of the New Share Option Scheme.

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## LETTER FROM THE BOARD

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The Directors consider that the aforesaid criteria and rules will serve to preserve the value of the Company and encourage Participants to acquire proprietary interests in the Company. The Company does not as at the Latest Practicable Date intend to appoint a trustee to the New Share Option Scheme.

As at the Latest Practicable Date, there were 5,488,042,599 Shares in issue. Assuming that there is no change in the total number of Shares in issue between the period from the Latest Practicable Date up to the date on which the New Share Option Scheme is approved at the EGM, the maximum number of Shares which may be issued pursuant to the New Share Option Scheme will be 548,804,259 Shares, representing approximately 10% of the total number of Shares in issue as at the date of EGM. The Company may seek approval by its Shareholders to renew the 10% limit on the basis that the maximum number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time.

The Directors consider that it is not appropriate to state the value of all Share Options (save for the value of the Share Options conditionally granted to Mr. Shi which is subject to, among others, the Independent Shareholders' approval) which may be granted under the New Share Option Scheme as if they had been granted as at the Latest Practicable Date. The Directors believe that any statement regarding the value of all Share Options as at the Latest Practicable Date will not be meaningful to the Shareholders, taking into account the number of variables which are crucial for the calculation of the Share Option value which have not been determined. Such variables include but are not limited to the exercise price, exercise period, any minimum holding period, any performance targets set and other relevant variables.

### **C. Conditions precedent of the New Share Option Scheme**

The adoption of 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 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.

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## LETTER FROM THE BOARD

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### **D. Principal terms of the New Share Option Scheme**

A summary of the principal rules of the New Share Option Scheme is set out in Appendix to this circular. The terms of the New Share Option Scheme are in line with the provisions of Chapter 17 of the Listing Rules, which governs the terms of the share option schemes of listed companies.

A copy of the New Share Option Scheme is available for inspection at the Company's principal place of business in Hong Kong at Suite No. 02, 31st Floor, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong during normal business hours from the date hereof up to the date of the EGM.

The New Share Option Scheme will be administered by the Board. None of the Directors is a trustee of the Scheme or has a direct or indirect interest in the trustees of the Scheme (if any).

### **3. 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, which would utilize the New Share Option Scheme mandate limit of 10%. The conditional grant of the Share Options to Mr. Shi is subject to (i) the adoption of the New Share Option Scheme; (ii) obtaining the listing approval from the Stock Exchange; and (iii) obtaining the Independent Shareholders' approval at the EGM.

#### **A. Terms of conditional grant to Mr. Shi**

The Shares Options, subject to the Independent Shareholders' approval at the EGM, to be granted to Mr. Shi will be granted in accordance with the terms of the New Share Option Scheme (if adopted) and a summary of the principal terms of such Share Options are set out below:

##### **1. Exercise Price**

The exercise price of the Shares Options conditionally granted to Mr. Shi is HK\$0.141 per Share, which was determined at the Board meeting on 10 July 2020, represented:

- (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.

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## LETTER FROM THE BOARD

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With reference to the closing price on the Latest Practicable Date, the exercise price of HK\$0.141 per Share represented a premium of 69.9% over the closing price of HK\$0.083 per Share as stated in the daily quotations sheet by the Stock Exchange on the Latest Practicable Date.

### **2. *Vesting period***

Subject to the satisfaction of the conditions to the conditional grant to Mr. Shi, the Share Options shall be vested and exercisable for a period commencing on the Offer Date and ending on the date immediately preceding the date falling on the tenth anniversary of the Offer Date (both dates inclusive).

### **3. *Performance benchmark***

No performance target is set for Mr. Shi to fulfil before the Share Options can be exercised. The Board considered that Mr. Shi's performance in his roles as an executive Director and the chief executive officer of the Company will have a direct impact on the Company's performance, and hence the Share price. Since early 2020, the COVID-19 pandemic has caused disruptions in business operations and the economy worldwide and the global economic outlook remains uncertain. The outbreak of the COVID-19 pandemic has led to great impact on the production arrangement, logistics and transportation and pricing of products of the Group. During these unprecedented times, setting subjective and arbitrary key performance indicators or performance target may not be appropriate or sufficient to assess Mr. Shi's performance or incentive to Mr. Shi. On the other hand, the exercise price of the Share Options is a more appropriate mean to objectively measure Mr. Shi's performance and contributions to the Company; motivate Mr. Shi; and encourage Mr. Shi to remain with the Company.

The Board considered that the exercise price of the Shares Options conditionally granted to Mr. Shi, having set at HK\$0.141 per Share, which represented 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, is a rigorous and realistic target. Despite the absence of performance target, the grant of Share Options to Mr. Shi serves as an appreciation of the contributions made by Mr. Shi and incentivises him to continue investment and contribution to the Group in the future and devote himself to increase the profitability of the Group. Unlike monetary remuneration which will increase the Group's expenditure, the exercise of the Share Options by Mr. Shi will bring to the increase of the Company's share capital of up to HK\$42,300,000 and provides additional working capital to the Group.

### **4. *Restriction Period***

There is no restriction period in connection with the Share Option to be granted to Mr. Shi.

### **5. *Acceptance of the conditional grant***

Mr. Shi has accepted the conditional grant by paying HK\$1.00 to the Company as consideration for the grant.

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## LETTER FROM THE BOARD

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### **B. Reasons for grant of the Share Options to Mr. Shi**

Mr. Shi joined the Group on 20 July 2018, and is an executive Director and the chief executive officer of the Company. Mr. Shi is responsible for providing leadership and governance of the Board and playing a full and constructive part in the development and determination of the Group's strategies and policies. Since his appointment in 2018, no remuneration (including salaries, allowances and benefits in-kind) has been paid to Mr. Shi.

In determining the number of Share Options proposed to be granted to Mr. Shi, the Remuneration Committee considered factors such as the terms of commitment, responsibilities and remuneration of Mr. Shi. With reference to the terms of reference of the Remuneration Committee, the Remuneration Committee is delegated with the responsibility to determine the specific remuneration package of all Directors and senior management. In addition, the remuneration policies for each of the executive Directors should be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to the Group by the relevant Director. The Board and the Remuneration Committee believe that it is critical that Mr. Shi be appropriately incentivised given he is the chief executive officer of the Company, driving the growth of the Group's business. Taking into account no remuneration has been paid to Mr. Shi since his appointment in 2018, the Board and the Remuneration Committee considered alternatives of increasing director's fee and salaries of Mr. Shi, but given such alternatives involve actual cash payments, They came to the view that the Group's cash resources are better utilised in its business operations. Unlike monetary remuneration which will increase the Group's expenditure, the exercise of the Share Options by Mr. Shi will bring to the increase of the Company's share capital of up to HK\$42,300,000 and provides additional working capital to the Group. In addition, the grant to Mr. Shi would secure Mr. Shi's long-term support and commitment to the Group. If such higher return to the Company is not achieved and reflected in the Share price, Mr. Shi will not be able to realise his part of his remuneration package represented by the Share Options.

The purpose of the conditional grant is to provide incentives and rewards to recognise the significant contributions made by Mr. Shi to the continued development of the Company. Taking into account (i) the effective cost control of Mr. Shi to the Group by, among others, (a) relocating the head office of the Company from Chengdu to Guangan in April 2019 to reduce the administrative expenses, (b) streamlining staff expenses by reviewing and revising the remuneration packages of the management and senior officer, (c) optimizing manpower and (d) implementing a strict control procedure on expenses claiming by employees (the "Cost Control Measures"); (ii) the stability of key personnel is vital to the further development of the Group; and (iii) it is crucial to incentivise and align Mr. Shi's interest with that of the Company and the Shareholders. With the implementation of the Cost Control Measures, the administrative expenses of the Group decreased by 6.4%, from RMB133.4 million for the year ended 31 December 2018 to RMB124.9 million for the corresponding period in 2019. The Remuneration Committee is of the view that the conditional grant of Share Options is both in line with and serves as an incentive for his continuing commitment and contribution to the Group in the future. Therefore, the Remuneration Committee has recommended the Board to approve the conditional grant.

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## LETTER FROM THE BOARD

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When the Board reviewed the value of the Share Options to be granted to Mr. Shi, the Board considered the conditional grant reflects the level of work commitment required for the position of Mr. Shi in the Company. The Board considers that the economic benefits of the Share Options depend upon the increase in share price to be driven by improving the overall management synergies and the operational performance of the Group at which all the Shareholders shall also stand to benefit. The conditional grant to Mr. Shi serves as an appreciation of the dedication and efforts of Mr. Shi in view of his persistent devotions to the Group. Therefore, the Board believes that the conditional grant is an appropriate way to reward and encourage the ongoing valuable performance of Mr. Shi.

In view of the above, the Directors (including the independent non-executive Directors) consider that 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.

**C. Effect on shareholding structure of the Company upon exercise of the Share Options to be granted to Mr. Shi**

The shareholding structure of the Company (a) as at the Latest Practicable Date; (b) immediately upon exercise of all the Share Options by Mr. Shi (only those proposed to be granted to Mr. Shi at the EGM); (c) immediately upon exercise of all the Share Options by Mr. Shi and other outstanding share options granted under the 2008 Share Option Scheme; and (d) immediately upon exercise of all the Share Options by Mr. Shi, other outstanding share options granted under the 2008 Share Option Scheme and outstanding convertible bonds, are as follows (*for illustrative purposes*):

## LETTER FROM THE BOARD

Shareholders	As at the Latest Practicable Date		Immediately upon exercise of all the Share Options by Mr. Shi		Immediately upon exercise of all the Share Options by Mr. Shi and outstanding share options granted under the 2008 Share Option Scheme		Immediately upon exercise of all the Share Options by Mr. Shi, outstanding share options granted under the 2008 Share Option Scheme and outstanding convertible bonds	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
	(approx)		(approx)		(approx)		(approx)	
Asia Pacific Resources Development Investment Limited (Note 1)	800,000,000	14.58	800,000,000	13.82	800,000,000	13.81	1,801,375,000	22.22
<b>Directors</b>								
Tang Guoqiang (Note 2)	100,000,000	1.82	100,000,000	1.73	100,000,000	1.73	180,000,000	2.22
Zhang Weihua (Note 3)	500,000,000	9.11	500,000,000	8.64	500,000,000	8.63	1,520,000,000	18.75
Shi Jianmin (Note 4)	200,300,000	3.65	500,300,000	8.64	500,300,000	8.63	500,300,000	6.17
Hu Xiaoping	-	-	-	-	1,200,000	0.02	1,200,000	0.01
<b>Public Shareholders</b>	<b>3,887,742,599</b>	<b>70.84</b>	<b>3,887,742,599</b>	<b>67.17</b>	<b>3,893,042,599</b>	<b>67.18</b>	<b>4,104,342,599</b>	<b>50.63</b>
<b>Total</b>	<b>5,488,042,599</b>	<b>100.00</b>	<b>5,788,042,599</b>	<b>100.00</b>	<b>5,794,542,599</b>	<b>100.00</b>	<b>8,107,217,599</b>	<b>100.00</b>

*Notes:*

- (1) Asia Pacific Resources Development Investment Limited is wholly owned by Mr. Cheng Kin Ming, who held convertible bonds of the Company in the principal amount of HK\$320,440,000 and 800,000,000 Shares.
- (2) As at the Latest Practicable Date, among 7,000,000,000 out of the 7,280,000,000 in the aggregate long position in shares and underlying shares of Mr. Tang Guoqiang belongs to the convertible bonds that had not been issued.
- (3) As at the Latest Practicable Date, China Mass Enterprises Limited is indirectly owned by Mr. Zhang Weihua through Jiangsu Kang Tai Holdings Group Limited which held a total amount of 500,000,000 Shares and an amount of HK\$110,160,000 convertible bonds of the Company which can be converted into 1,020,000,000 Shares.
- (4) Mr. Shi Jianmin is an executive Director and the chief executive officer of the Company. As at the Latest Practicable Date, Mr. Shi held 200,300,000 Shares (representing approximately 3.65% of the total issued share capital of the Company).
- (5) Figures shown above are for illustrative purposes only and assumes no change in the number of total issued Shares between the Latest Practicable Date and the date when the Shares are issued pursuant to the exercise of the Share Options by Mr. Shi in full. The exercise of the Shares Options granted to Mr. Shi will be subject always to the Company being able to comply with the public float requirements under Rule 8.08 of the Listing Rules.

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## LETTER FROM THE BOARD

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### **D. Listing Rules Implications**

Pursuant to Rule 17.03(4) of the Listing Rules, where any grant of options to a participant would result in shares issued and to be issued upon exercise of all share options granted and to be granted to such person (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such of such grant representing in aggregate 1% of the Shares in issue, such grant of share options must be separately approved by shareholders of the listed issuer in general meeting with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting.

Given that the total number of Shares to be issued upon exercise of the 300,000,000 Share Options to be granted to Mr. Shi would in a 12-month period exceed 1% of the Shares in issue, pursuant to the Listing Rules, the grant of the Share Options to Mr. Shi is conditional upon the approval by the Independent Shareholders at the EGM. Mr. Shi and his respective associates shall abstain from voting at the EGM.

Pursuant to Rule 17.03(4) of the Listing Rules, the conditional grant of Share Options to Mr. Shi is subject to the approval of Independent Shareholders at the EGM. As at the Latest Practicable Date, 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, being an executive Director and the chief executive officer of the Company, abstained from voting on the Board resolutions for considering and approving the grant of the Share Options to Mr. Shi as he has material interest given he is the proposed Grantee. Save for the aforesaid, none of the Directors have a material interest in the Board resolutions approving the adoption of the New Share Option Scheme and the proposed grant of Share Options to Mr. Shi.

Mr. Shi, his associates and the core connected persons of the Company (holding a total of 200,300,000 Shares representing approximately 3.65% of the total issued share capital of the Company as at the Latest Practicable Date) 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.



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## LETTER FROM THE BOARD

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### EGM

Set forth on pages 28 to 30 of this circular is a notice convening the EGM to be held at 3.00 p.m., on Friday, 9 October 2020 at Suite No. 02, 31st Floor, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong at which ordinary resolutions will be proposed to approve, among other things, 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. Pursuant to the Listing Rules, Mr. Shi and his associates, interested in approximately 3.65% of the total issued share capital of the Company as at the Latest Practicable Date, are required to abstain from voting on the relevant resolution(s) approving the grant of Share Options to Mr. Shi at the EGM.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at the EGM must be taken by poll except where the chairman of the EGM, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolutions to be considered and, if thought fit, passed at the EGM will be voted by way of poll by the Shareholders.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you propose to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the offices of the Company's share registrar in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not less than 48 hours before the time appointed for holding the meeting (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting if you so desire.

### CLOSURE OF REGISTER OF MEMBERS

In order to determine the list of Shareholders who will be entitled to attend and vote at the EGM, the Company's register of members will be closed from Tuesday, 6 October 2020 to Friday, 9 October 2020 (both days inclusive) during which period no transfer of Shares will be effected. Shareholders whose names appeared on the register of members of the Company on Friday, 9 October 2020 shall be entitled to attend and vote at the EGM. In order for the Shareholders to qualify for attending and voting at the EGM, Shareholders whose Shares are not registered in their names should complete and lodge their respective instruments of transfer with the relevant share certificates with the Company's share registrar in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, and in any case no later than 4:00 p.m. on Monday, 5 October 2020.

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## LETTER FROM THE BOARD

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### RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

### RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the adoption of the New Share Option Scheme and the grant of the Options to Mr. Shi are in the interest of the Company and the Shareholders as a whole, and recommend the Shareholders (and the Independent Shareholders for the voting on the grant of the Options to Mr. Shi) to vote in favour of both resolutions to be proposed at the EGM.

### GENERAL INFORMATION

Your attention is also drawn to the Appendix to this circular which contains a summary of the principal terms of the New Share Option Scheme.

Yours faithfully,  
For and on behalf of the Board of  
**Ko Yo Chemical (Group) Limited**  
**Tang Guoqiang**  
*Chairman*

*The following is a summary of the principal terms of the Share Option Scheme to be adopted by way of ordinary resolution at the EGM, save that this Appendix does not and is not intended to form part of the New Share Option Scheme, nor is deemed to form an interpretation affecting the rules of the New Share Option Scheme:*

## **1.    PURPOSE OF THE NEW SHARE OPTION SCHEME**

The purpose of the New Share Option Scheme is to enable the Board to grant Share Options to selected Participants as incentives or rewards for their contribution or potential contribution to the development and growth of the Group.

## **2.    WHO MAY JOIN**

The Board may, at its absolute discretion and on such terms as it may think fit, grant Share Options to any Participants to subscribe at a price calculated in accordance with paragraph 3 below for such number of Shares as it may determine in accordance with the terms of the New Share Option Scheme.

The Board may at their absolute discretion, invite any person belonging to any of the following classes of Participants:

- (a) any directors (including executive directors, non-executive directors and independent non-executive directors) of any member of the Group;
- (b) any employees of any member of the Group; and
- (c) the Trustee.

The basis of eligibility of any of the Participants to the grant of Share Options shall be determined by the Board from time to time on the basis of his/her contribution or potential contribution to the development and growth of the Group.

## **3.    CONDITIONS OF THE NEW SHARE OPTION SCHEME**

The New Share Option Scheme is conditional upon:

- (a) 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
- (b) 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.

**4.    DURATION AND ADMINISTRATION**

Subject to the fulfilment of the conditions in paragraph 3 and the termination provisions in paragraph 26, the New Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further Share Options will be granted but in all other respects, subject to the compliance with the provisions under the Listing Rules, the provisions of the New Share Option Scheme shall remain in full force and effect and Share Options which are granted during the life of the New Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

The New Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the New Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

Subject to compliance with the requirements of the Listing Rules and the provisions of the New Share Option Scheme, the Board shall have the right to (i) interpret and construe the provisions of the New Share Option Scheme; (ii) determine the persons who will be awarded Share Options under the New Share Option Scheme and the number of Shares to be issued under the Option; (iii) determine the Subscription Price; (iv) make such appropriate and equitable adjustments to the terms of Share Options granted under the New Share Option Scheme as it deems necessary; and (v) make such other decisions, determinations or regulations as it shall deem appropriate in the administration of the New Share Option Scheme. The Board may also provide restrictions on the exercise of a Share Option during the period a Share Option may be exercised.

**5.    GRANT OF SHARE OPTIONS**

On and subject to the requirements of the Listing Rules and the terms of the New Share Option Scheme, the Board shall be entitled at any time, within 10 years after the Adoption Date to make an Offer to any Participant as the Board may in its absolute discretion select, and subject to any conditions as the Board may at its absolute discretion think fit, to subscribe for such number of Shares as the Board may (subject to paragraphs 8 and 9) determine at the Subscription Price for such number of Shares as the Board may (subject to paragraph 6) determine provided that:

- (a) no Options shall be granted under this Scheme after the termination of this Scheme in accordance with paragraph 26; and/or
- (b) no Options shall be granted if the grant would result in a breach by the Company or Directors of relevant laws or regulations (including those relating to securities).

No Offer shall be made after inside information has come to the knowledge of the Company until it has announced the information. In particular, during the period commencing one month immediately before the earlier of:

- (a) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (b) the deadline for the Company to announce its results for any year or half year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement, no Share Option may be granted. In the event of any delay in publishing an announcement mentioned in sub-paragraph (b) above, no Share Option may be granted during such period of delay.

As soon as possible upon an Offer of the grant of a Share Option, the Company must publish an announcement relating to the terms of the Offer in accordance with the Listing Rules setting out the following details:

- (a) the date of the Offer;
- (b) the Subscription Price of the Share Options granted;
- (c) the number of Share Options granted;
- (d) the market price of the Shares on the Offer Date;
- (e) where any of the Grantee is a Director, chief executive or substantial shareholder of the Company, or an associate of any of them, the names of such Grantees and the number of Share Options granted to each of them; and
- (f) the Option Period.

**6. SUBSCRIPTION PRICE**

The Subscription Price in relation to each Share Option shall be determined by the Board in its absolute discretion and must be at least the higher of:

- (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a Business Day;

- (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) Business Days immediately preceding the Offer Date, which must be Business Days; or
- (c) the nominal value of a Share on the Offer Date.

**7. ACCEPTANCE OF OFFERS**

An offer for the grant of Share Options must be accepted within twenty-one (21) days inclusive of the day on which such offer was made. The amount payable by the Participant of a Share Option to the Company on acceptance of the offer for the grant of a Share Option is HK\$1.00.

**8. MAXIMUM NUMBER OF SHARES**

- (A) Subject to sub-paragraphs (B) and (C) below, the maximum number of Shares issuable upon the exercise of all Share Options to be granted under the New Share Option Scheme and any other share option schemes of the Company as from the commencement of the Scheme Period (excluding, for this purpose, Share Options which have lapsed in accordance with the terms of the New Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of the Shares in issue as at the Adoption Date (the "**Scheme Mandate**"). The Shares underlying any Share Options granted under the New Share Option Scheme or any other share option schemes of the Company which have been cancelled (but not Share Options which have lapsed) will be counted for the purpose of the Scheme Mandate.
- (B) The Scheme Mandate may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the new limit under the refreshed Scheme Mandate must not exceed 10% of the Shares in issue at the date of the Shareholders' approval of such refreshed Scheme Mandate. Share Options previously granted under the New Share Option Scheme or any other share option schemes of the Company (including those exercised, outstanding, cancelled or lapsed in accordance with the terms of the New Share Option Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the total number of Shares subject to the refreshed Scheme Mandate.
- (C) The Company may also, by obtaining separate approval of the Shareholders in general meeting, grant Share Options beyond the Scheme Mandate provided the Share Options in excess of the Scheme Mandate are granted only to Participants specifically identified by the Company before such approval is sought.

- (D) The aggregate number of Shares which may be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time. No Share Options may be granted under the New Share Option Scheme of the Company if this will result in the limit being exceeded.

#### **9. MAXIMUM ENTITLEMENT OF EACH PARTICIPANT**

The maximum number of Shares issued and to be issued upon the exercise of the Share Options granted under the New Share Option Scheme and any other share option schemes of the Company to any participants(s) (including cancelled, exercised and outstanding Share Options), in any 12-month period up to the date of grant shall not exceed 1% of the number of Shares in issue, unless (i) a circular is despatched to the Shareholders; (ii) the Shareholders approve the grant of the Share Options in excess of the 1% limit referred to in this paragraph; and (iii) the relevant participants and his associates shall abstain from voting. The number and terms (including the exercise price) of Share Options to be granted to such participants(s) must be fixed before shareholders' approval.

#### **10. GRANT OF SHARE OPTIONS TO CERTAIN CONNECTED PERSONS**

- (A) Any grant of a Share Option to a Director, chief executive of the Company or Substantial Shareholder (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the Grantee of the Share Options).
- (B) Where any grant of Share Options to a Substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon the exercise of the Share Options already granted and to be granted to such person under the New Share Option Scheme and any other share option schemes of the Company (including Share Options exercised, cancelled and outstanding) in any 12-month period up to and including the date of such grant:
- (i) representing in aggregate over 0.1% of the Shares in issue; and
  - (ii) having an aggregate value, based on the closing price of the Shares at each date of grant, in excess of HK\$5 million,

such further grant of Share Options is required to be approved by Shareholders in general meeting in accordance with the Listing Rules. Any change in the terms of a Share Option granted to a Substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders. The Company must send a circular to its Shareholders. The relevant Participant, his associates and all core connected

persons of the Company shall abstain from voting at such general meeting, except that such person may vote against the relevant resolution at the general meeting provided that his/her intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith. Any vote taken at the general meeting to approve such grant must be taken on a poll. Any change in the terms of Share Options granted to any Grantee who is a Substantial Shareholder or an independent non-executive Director (or any of their respective associates) must be approved by the Shareholders in general meeting. The circular shall contain:

- (i) the details of the number and terms (including the Subscription Price) of the Share Options to be granted to each Participant which must be fixed before the Shareholders' meeting and the date of the Board meeting for proposing such further grant shall be taken as the relevant date of grant for the purpose of calculating the Subscription Price;
- (ii) a recommendation from the independent non-executive Directors (excluding the independent non-executive Director of the Company who is the relevant Participant) to the independent Shareholders stating their recommendation as to whether to vote for or against the resolution relating to the grant of the Share Options;
- (iii) the information required under Rules 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

## 11. EXERCISE OF SHARE OPTIONS

No Share Options may be granted to a Participant who is subject to the Model Code during the periods or times in which such participants is prohibited from dealing in Shares pursuant to the Model Code.

A Share Option may be exercised in accordance with the terms of the New Share Option Scheme at any time during a period commencing on such date on or after the date on which the Share Option is granted as the Board may determine in granting the Share Options and expiring at the close of business on such date as the Board may determine in granting the Share Options but in any event shall not exceed ten (10) years from the date of grant (which is the date of offer if such offer of the grant of the Share Options is accepted).

There is no specified minimum period under the New Share Option Scheme for which a Share Option must be held or the performance target which must be achieved before a Share Option can be exercised under the terms of the New Share Option Scheme.



**12. PERFORMANCE TARGETS**

Save as determined by the Board and provided in the offer of the grant of the relevant Share Options, there is no performance target which must be achieved before any of the Share Options can be exercised.

**13. RANKING OF SHARES**

The Shares to be allotted upon the exercise of the Share Options will be subject to all the provisions of the articles of association of the Company for the time being in force and will rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which those Shares are allotted on exercise of the Share Option and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made on or after the date on which Shares are allotted other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the date on which the Shares are allotted, provided always that when the date of exercise of the Share Options falls on a date upon which the register of shareholders of the Company is closed, then the exercise of the Share Options shall become effective on the first day on which the register of Shareholders is re-opened.

**14. RIGHTS ARE PERSONAL TO GRANTEE**

A Share Option is personal to the Grantee and the Grantee may not in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Share Option or attempt to do so.

**15. RIGHTS OF EXERCISE FOR GRANTEE WHO WAS A PARTICIPANT**

If a Grantee of a Share Option who at the time of grant of a Share Option to him qualified as a Participant ceases to be such an eligible participant due to the following reasons, the Share Option shall automatically lapse and not be exercisable (to the extent not already exercised):

- (A) on the grounds that he has committed any serious misconduct or has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee of the Group;
- (B) on the ground that he has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally;
- (C) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to the grantee's service contract; or
- (D) for any other reason the Board in its absolute discretion may decide;

provided always that in each case the Board in its absolute discretion may decide that such Share Options or any part thereof shall not so lapse or determine subject to such conditions or limitations as it may decide.

**16. FAILURE TO MEET CONTINUING ELIGIBILITY CRITERIA**

If the Board in the offer granting the relevant Share Option has specified that the Grantee has to meet certain continuing eligibility criteria and that the failure of the Grantee to meet any such continuing eligibility criterion would entitle the Company to cancel the Share Option then outstanding (or part thereof), then upon the failure of the Grantee to meet any such continuing eligibility criterion, his outstanding Share Option shall lapse and determine on the date the Board exercises the Company's right to cancel the Share Option on the ground of such failure.

**17. RIGHTS ON A GENERAL OFFER**

If a general offer by way of takeover is made to all the Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror, the Grantee of a Share Option shall, subject to paragraph 8 above, be entitled to exercise at any time within a period of fourteen (14) days after such control has been obtained by the offeror any Share Option in whole or in part to the extent not already exercised (and notwithstanding any restrictions which would otherwise have prevented such Share Option from being exercisable at that time). For the avoidance of doubt, a Share Option not so exercised shall remain valid in accordance with its terms and subject to such restrictions as applied to it before the general offer.

**18. RIGHTS ON WINDING-UP**

If notice is given by the Company to Shareholders of a general meeting at which a resolution will be proposed for the voluntary winding-up of the Company, the Company shall forthwith give notice to all Grantees of Share Options and each Grantee shall be entitled, at any time no later than seven (7) Business Days prior to the proposed general meeting of the Company to exercise any of his outstanding Share Options in whole or in part to the extent not already exercised (and notwithstanding any restrictions which would otherwise have prevented such Share Options from being exercisable at that time). If such resolution is duly passed, all Share Options shall, to the extent that they have not been exercised, thereupon lapse and determine on the commencement of the winding-up.

**19. RIGHTS ON COMPROMISE OR ARRANGEMENT**

In the event that an application is made to the court (otherwise than where the Company is being voluntarily wound up) in connection with a compromise or arrangement between the Company and Shareholders or the Company's creditors, notice of the relevant meeting shall be given to the Grantees of Share Options on the same day notice is given to the Shareholders and the Company's creditors, and thereupon each Grantee (or where permitted his personal representative(s)) may forthwith by notice in writing to the Company within twenty-one (21) days after the date of such application, exercise the Option in full or in part, but the exercise of a Share Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as

previously exercised under the Scheme. The Company may require the Grantee (or his legal personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of Share Options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

**20. LAPSE OF SHARE OPTIONS**

A Share Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (A) the expiry of the Option Period;
- (B) the date on which the Grantee commits a breach of paragraph 14 above, if the Board shall exercise the Company's right to cancel the Share Option;
- (C) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs 15, 16, 17, 18 or 19 above;
- (D) the date on which the Grantee (being an employee or a director of any member of the Group) ceases to be a Participant by reason of the termination of his or her employment or engagement on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts or has become bankrupt or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment at common law or pursuant to any applicable laws or under the Grantee's service contract with the relevant Group Member; or
- (E) unless the Board otherwise determines, and other than in the circumstances referred to in sub-paragraphs (A) to (D) above, the date on which the Grantee ceases to be a Participant (as determined by a Board resolution) for any other reasons.

**21. CANCELLATION OF SHARE OPTIONS GRANTED BUT NOT YET EXERCISED**

Following the cancellation of any Share Options granted under the New Share Option Scheme but not exercised, new Share Options may only be granted to the same Grantee under the New Share Option Scheme with available unissued Share Options (excluding the cancelled Share Options) within the limit of the Scheme Mandate then available to the Board.

**22. EFFECTS OF ALTERATIONS TO CAPITAL**

In the event of any capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of capital of the Company, such corresponding alterations (if any) shall be made (except on an issue of securities of the Company as consideration in a transaction to which the Company is a party which shall not be regarded as a circumstance requiring alteration or adjustment) in:

- (A) the aggregate number of Shares subject to the Option so far as unexercised; and/or
- (B) the Subscription Price of each outstanding Option,

an independent financial adviser to the Company or the auditors shall confirm in writing to the Directors, either generally or as regards any particular Grantee that any such alterations shall satisfy the requirements set out in the note to Rule 17.03(13) of the Listing Rules and shall give the Grantee the same proportion of the issued share capital of the Company as that to which the Grantee was previously entitled, provided that no such alterations shall be made if the effect of such alterations would be to enable a Share to be issued at less than its nominal value (if any). The capacity of the auditors or the independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their confirmation shall, in the absence of manifest error, be final and conclusive and binding on the Company and the Grantees.

In respect of any adjustments required above, other than any made on a capitalisation issue, an independent financial adviser to the Company or the auditors must confirm to the Directors in writing that the adjustments satisfy the requirements set out in Rule 17.03(13) of the Listing Rules and the note thereto and/or such other requirement prescribed under the Listing Rules from time to time.

**23. SHARE CAPITAL**

The exercise of any Share Option shall be subject to the Shareholders in a general meeting approving any necessary increase in the authorised share capital of the Company. Subject thereto, the Board shall make available sufficient authorised but unissued share capital of the Company to meet subsisting requirements on the exercise of Share Options.

The Share Options do not carry any right to vote in general meeting of the Company, or any right, dividend, transfer or any other rights, including those arising on the liquidation of the Company.

**24. ALTERATION TO THE NEW SHARE OPTION SCHEME**

The New Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (A) any alteration to the advantage of the Grantees or the Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules;
- (B) any change to the authority of the Board or scheme administrators in relation to any alteration to the terms of the New Share Option Scheme; or
- (C) any material alteration to the terms and conditions of the New Share Option Scheme or any change to the terms of Share Options granted (except any alterations which take effect automatically under the terms of the New Share Option Scheme),

shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect a Share Option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the Grantees' approval in accordance with the terms of the New Share Option Scheme.

The amended terms of the New Share Option Scheme shall still comply with Chapter 17 of the Listing Rules.

**25. CANCELLATION OF SHARE OPTIONS**

The Board may, with the consent of the relevant Grantee, at any time at its absolute discretion cancel any Share Option granted but not exercised. Where the Company cancels Share Options and makes an Offer to the same Share Option holder, the Offer may only be made, under the New Share Option Scheme with available Share Options (to the extent not yet granted and excluding the cancelled Share Options) within the limit approved by the Shareholders as mentioned in paragraph 8.

**26. TERMINATION OF THE NEW SHARE OPTION SCHEME**

The Company may by resolution in general meeting or the Board may at any time terminate the New Share Option Scheme and in such event no further Share Option shall be offered but the provisions of the New Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Share Option granted prior to the termination or otherwise as may be required in accordance with the provisions of the New Share Option Scheme.

Share Options granted prior to such termination at the time of termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

**27. TRANSFERABILITY**

A Share Option shall be personal to the Grantee and shall not be transferable nor assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favour of or enter into any agreement with any other person over or in relation to any Share Option, except for the transmission of an Option on the death of the Grantee to his personal representative(s) on the terms of the New Share Option Scheme.

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## NOTICE OF EGM

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### **Ko Yo Chemical (Group) Limited**

**玫源化工(集團)有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 00827)**

### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of Ko Yo Chemical (Group) Limited (the “**Company**”) will be held at Suite No. 02, 31st Floor, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong on Friday, 9 October 2020 at 3.00 p.m. for considering and, if thought fit, passing, with or without amendments, the following resolutions of the Company:

#### **ORDINARY RESOLUTIONS**

1. “**THAT:**

subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the approval for the listing of, and the permission to deal in, the ordinary shares of HK\$0.10 each in the share capital of the Company (or such nominal amount as shall result from a capitalization issue, rights issue, sub-division, consolidation, re-classification, reconstruction or reduction of share capital of the Company from time to time) (the “**Share(s)**”) to be issued pursuant to the exercise of the share options which may be granted under the new share option scheme (the “**New Share Option Scheme**”), a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose, the New Share Option Scheme be and is hereby approved and adopted; and the directors of the Company (the “**Directors**”) be and are hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the New Share Option Scheme, including but without limitation:

- (i) to administer the New Share Option Scheme under which share options will be granted to the Participants (as defined in the New Share Option Scheme) eligible under the New Share Option Scheme to subscribe for Shares, including but not limited to determining and granting the share options in accordance with the terms of the New Share Option Scheme;

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## NOTICE OF EGM

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- (ii) to modify and/or amend the New Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the New Share Option Scheme relating to the modification and/or amendment and subject to Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”);
  - (iii) to allot and issue from time to time such number of Shares in the share capital of the Company as may be required to be allotted and issued pursuant to the exercise of the share options under the New Share Option Scheme and subject to the Listing Rules;
  - (iv) make application at appropriate time or times to the Stock Exchange and any other stock exchanges upon which the issued Shares may for the time being be listed, for listing of, and permission to deal in, any Shares which may hereafter from time to time be allotted and issued pursuant to the exercise of the share options under the New Share Option Scheme; and
  - (v) to consent, if it so deems fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the New Share Option Scheme.”
2. “**THAT** the grant of share options to Mr. Shi Jianmin under the New Share Option Scheme to subscribe for 300,000,000 Shares in the share capital of the Company at the exercise price of HK\$0.141 per Share and on the terms and conditions set out in the circular dated 18 September 2020 of the Company (the “**Circular**”) be and is hereby approved and that any one Director (save for Mr. Shi Jianmin) be and is hereby authorised to do all such acts and/or execute all such documents as may be necessary or expedient in order to give effect to the foregoing.”

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

Hong Kong, 18 September 2020



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## NOTICE OF EGM

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*Registered Office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Principal place of business in Hong Kong:*

Suite No. 02, 31st Floor, Sino Plaza  
255 – 257 Gloucester Road  
Causeway Bay, Hong Kong

*Notes:*

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, in the event of, a poll, vote instead of him. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. In order to be valid, the form of proxy must be deposited with the Company's share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, together with any power of attorney or other authority, under which it is signed, or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or any adjournment thereof.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney or other person duly authorised.
4. In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the EGM, whether in person or by proxy, the most senior shall alone be entitled to vote. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.
5. Delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting convened and in such event, the form of proxy shall be deemed to be revoked.
6. Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, voting on the ordinary resolutions as set out above will be conducted by way of poll.
7. In order to determine the list of Shareholders who will be entitled to attend and vote at the EGM, the Company's register of members will be closed from Tuesday, 6 October 2020 to Friday, 9 October 2020 (both days inclusive) during which period no transfer of Shares will be effected. Shareholders whose names appeared on the register of members of the Company on Friday, 9 October 2020 shall be entitled to attend and vote at the EGM. In order for the Shareholders to qualify for attending and voting at the EGM, Shareholders whose Shares are not registered in their names should complete and lodge their respective instruments of transfer with the relevant share certificates with the Company's share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Monday, 5 October 2020.
8. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning or "extreme conditions after super typhoons" announced by the Government of Hong Kong is/are in effect any time after 12:00 noon on the date of the EGM, the meeting will be postponed. The Company will publish an announcement on the website of the Company at [www.koyochem.com](http://www.koyochem.com) and on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) to notify Shareholders of the date, time and venue of the rescheduled meeting.