

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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)**

### **COMPLETION OF ISSUANCE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

The Board is pleased to announce that the closing of the Final Tranche has taken place on 30 November 2021, pursuant to which the Convertible Bonds in the principal amount of HK\$831,600,000 have been issued to the Subscriber.

Following the closing of the Final Tranche, the Convertible Bonds in an aggregate principal amount of HK\$902,100,000 have been issued to the Subscriber.

Reference is made to the announcements dated 10 July 2019, 8 November 2019, 29 April 2020, 28 September 2020, 23 December 2020, 25 June 2021 and 24 September 2021, and the circular dated 4 December 2020 (the “**Circular**”) of Ko Yo Chemical (Group) Limited (the “**Company**”) in relation to the issue of the Convertible Bonds under Specific Mandate. Capitalised terms used in this announcement have the same meanings as those defined in the Circular, unless otherwise stated herein.

### **COMPLETION OF ISSUANCE OF CONVERTIBLE BONDS**

The closing of the first tranche of the Subscription (the “**First Tranche**”) took place on 28 September 2020, pursuant to which the Convertible Bonds in the principal amount of HK\$70,500,000 were issued to the Subscriber. As disclosed in the Circular and the announcement dated 23 December 2020, the aggregate principal amount of the Convertible Bonds was increased from HK\$987,000,000 to HK\$988,500,000. Immediately following the closing of the First Tranche and the increment of the aggregate principal amount of the Convertible Bonds, the outstanding balance of the principal amount of the Convertible Bonds was HK\$918,000,000.

On 30 November 2021, the Convertible Bonds in the principal amount of HK\$831,600,000 were issued to the Subscriber (the “**Final Tranche**”). Following the closing of the First Tranche and the Final Tranche, the Convertible Bonds in an aggregate principal amount of HK\$902,100,000 have been issued to the Subscriber, with an outstanding principal amount of HK\$86,400,000 (the “**Remaining Convertible Bonds**”) which remains unsubscribed as at the date of this announcement.

Having regard to, among others, the allocation of use of proceeds for the Convertible Bonds, the funding required for the construction of the various production lines, the progress of construction of the various production lines, and the financial resources available to the Company, the Company and the Subscriber agreed that it is not necessary for the Company to issue the Remaining Convertible Bonds. Please refer to the section headed “Use of Proceeds” for more details on the reallocation of use of unutilised proceeds from the Convertible Bonds.

## EFFECTS ON SHAREHOLDING STRUCTURE

Based on the Conversion Price of HK\$0.108 per Share, the Convertible Bonds subscribed by the Subscriber are convertible into 7,700,000,000 Conversion Shares, which represent approximately 135.4% of the existing issued share capital of the Company of 5,688,042,599 Shares as at the date of this announcement and approximately 57.5% of the issued share capital of the Company as enlarged by the issue and allotment of the Conversion Shares upon full conversion of the Convertible Bonds at the Conversion Price of HK\$0.108 per Share.

As at the date of this announcement, the Company has 5,688,042,599 Shares in issue. The shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after conversion of the Convertible Bonds under the First Tranche; (iii) immediately after conversion of the Convertible Bonds under the First Tranche and the Final Tranche; and (iv) immediately after full conversion of the First Tranche, the Final Tranche and the Existing Bonds are as follows (*for illustrative purposes only*):

Shareholders	As at the date of this announcement		Immediately after the issue and allotment of the Conversion Shares upon conversion of the Convertible Bonds under the First Tranche		Immediately after the issue and allotment of the Conversion Shares upon conversion of the Convertible Bonds under the First Tranche and the Final Tranche		Immediately after full conversion of the First Tranche, the Final Tranche and the Existing Bonds	
	Number of Shares	% (Approx.)	Number of Shares	% (Approx.)	Number of Shares	% (Approx.)	Number of Shares	% (Approx.)
The Subscriber ( <i>Note 1</i> )	169,800,000	2.99	469,800,000	7.85	4,105,043,975	29.99	4,798,615,208	29.99
Shi Jianmin ( <i>Note 2</i> )	247,000,000	4.34	247,000,000	4.12	247,000,000	1.80	247,000,000	1.54
Zhang Weihua ( <i>Note 3</i> )	500,000,000	8.79	500,000,000	8.35	500,000,000	3.65	1,520,000,000	9.50
<b>Public Shareholders</b>	<b>4,771,242,599</b>	<b>83.88</b>	<b>4,771,242,599</b>	<b>79.68</b>	<b>8,835,998,624</b>	<b>64.56</b>	<b>9,435,102,391</b>	<b>58.97</b>
<b>Total</b>	<b>5,688,042,599</b>	<b>100.00</b>	<b>5,988,042,599</b>	<b>100.00</b>	<b>13,688,042,599</b>	<b>100.00</b>	<b>16,000,717,599</b>	<b>100.00</b>

*Note 1: As at the date of this announcement, Coherent Gallery International Limited is wholly owned by the Subscriber which holds 69,800,000 Shares. The Subscriber holds 100,000,000 Shares and convertible bonds of the Company in the principal amount of HK\$50,940,000 which can be converted into 380,000,000 Shares.*

*Note 2: As at the date of this announcement, Mr. Shi Jianmin is an executive Director and is the beneficial owner of 247,000,000 Shares.*

*Note 3: As at the date of this announcement, China Mass Enterprises Limited is indirectly owned by Mr. Zhang Weihua through Jiangsu Kang Tai Holdings Group Limited which held 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.*

## USE OF PROCEEDS

Following the closing of the First Tranche and the Final Tranche, the Convertible Bonds in an aggregate principal amount of HK\$902,100,000 have been issued to the Subscriber. The net proceeds from the Convertible Bonds, after deduction of all the relevant costs and expenses, amounted to approximately HK\$899,600,000.

As disclosed in the Circular, proceeds from the Convertible Bonds would be used (i) for the establishment of the Dazhou New Production Line; (ii) for the establishment of the PBAT production line in the Guangan New Material Plant; (iii) for the establishment of the nylon 66 production line in the Guangan Chemical Plant; and (iv) as general working capital of the Group. Given the current phase of the construction of the PBAT production line as disclosed in the Circular has been completed during the third quarter of 2021 and the Company has been able to, among others, apply some of its internal financial resources and use some of the existing machinery and equipment in the original production facilities of the Guangan New Material Plant, the actual amount required for the construction of the PBAT production line has been reduced from HK\$350 million to approximately HK\$150 million (among which approximately HK\$80 million is allocated from the proceeds from the Convertible Bonds). In addition, having considered the selling prices of ammonia and urea were in high level, the Board is of the view that it would be more appropriate to deploy the unutilised proceeds from the Convertible Bonds for the establishment of nylon 66 production line in the Guangan Chemical Plant. As disclosed in the Circular, nylon 66 is a type of engineering plastic, and could be widely used in, among others, automotive and textile industries. Nylon 66 is a downstream product of methanol which is the major product of the Guangan Chemical Plant. This reallocation of use of unutilised proceeds allows the Company to generate more positive cash flow, strengthen the financial position of the Group in the long run, and allow the Group to establish the Dazhou New Production Line.

As at the date of this announcement, it is expected that the establishment of an annual production capacity of 100,000 tons 1,6-Hexamethylenediamine-1,4-Dicyanobutane production line would be completed around late 2023 and their downstream product with an annual production capacity of 200,000 tons nylon 66 would be completed around late 2024 in the Guangan Chemical Plant, and the establishment of the Dazhou New Production Line is expected to be completed in late 2026.

Set out below are the utilisation of the proceeds raised from the Convertible Bonds up to the date of this announcement and the reallocation of use of the unutilised proceeds:

	<b>Original approximate amount of net proceeds to be used as disclosed in the Circular HK\$'000</b>	<b>Revised allocation of net proceeds HK\$'000</b>	<b>Net proceeds used as at the date of this announcement HK\$'000</b>	<b>Allocation of unutilised net proceeds HK\$'000</b>
Establishment of the Dazhou New Production Line	230,000	5,000	3,602	1,398
Establishment of the PBAT production line in the Guangan New Material Plant	350,000	80,000	65,691	14,309
Establishment of the nylon 66 production line in the Guangan Chemical Plant	250,000	658,600	1,207	657,393 <i>(Note 1)</i>
General working capital	156,000	156,000	–	156,000
<b>Total</b>	<b>986,000</b>	<b>899,600</b>	<b>70,500</b>	<b>829,100</b>

*Note 1: To pay for the outstanding amounts due to, among others, machinery and equipment suppliers.*

The reduction in the aggregate principal amount of the Convertible Bonds to be issued by the Company would help (i) alleviate the financial pressure on the Group as it would minimise the amount of interests payable by the Company; and (ii) reduce the dilutive effect on the interests of the existing Shareholders. With the completion of the establishment of the current phase of the construction of the PBAT production line as disclosed in the Circular, the reallocation of use of proceeds will improve the efficiency and effectiveness of this deployment as it will facilitate the Company to finalise the intended establishment of the Dazhou New Production Line and nylon 66 production line in the Guangan Chemical Plant. In view of the above, the Board is of the view that the Company not issuing the Convertible Bonds in full and the reallocation of the use of proceeds do not have any material adverse effect on the existing business and operations of the Group, and the proposed construction of the various production lines as disclosed in the Circular, and is in the best interests of the Company and the Shareholders as a whole.

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

Hong Kong, 30 November 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. Xu Congcai and Mr. Le Yiren.*