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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)

Profit Warning

The board of directors (the “Board”) of Ko Yo Chemical (Group) Limited (the “Company”, together with its subsidiaries, the “Group”) makes this announcement pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

The Board wishes to inform shareholders and potential investors of the Company that, due to the market prices of urea, methanol and other chemical products were at the historical bottom for more than a decade, which in turn led to a low level of gross profit from operations of the Group. Therefore, the Board expects that a loss will be recorded for the Group in the first half of the financial year of 2016.

Despite the effect of the abovementioned factors, as a result of the preferential sales strategy by PetroChina Southwest Oil & Gasfield Company that links prices to volume, the natural gas price of Company’s Guangan Plant had been reduced to RMB1.516 per cubic meter, effective from 1 May 2016 onwards, representing a decrease of approximately 35% as compared to the natural gas price of RMB2.35 per cubic meter of the same period last year. The implementation by the PRC government of the market-oriented reform targeting natural gas prices would improve our business environment. As thus, the Board is of the view that the Group’s overall financial position is still healthy and remains positive on the long term prospect of the Group.

As the Company is in the process of finalizing the interim results report for the six months ended 30 June 2016 (the “Interim Results Report”), the information set out in this announcement is based on a preliminary assessment by the Company’s management according to the management accounts of the Group. The detailed financial information of the Group will be disclosed in the Interim Results Report.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Ko Yo Chemical (Group) Limited
Li Wei Ruo
Chairman

Chengdu, the PRC, 27 July 2016

As at the date of this announcement, the Board of the Company comprises five executive directors, being Mr. Li Weiruo, Mr. Yuan Bai, Ms Chi Chuan, Ms Man Au Vivian and Mr. Li Ciping, one non-executive director being Mr. Zhang Fubo and three independent non-executive directors, being Mr. Hu Xiaoping, Mr. Woo Che-Wor, Alex and Mr. Sun Tongchuan.