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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: 0827)**

**PROPOSED ISSUE OF HK\$140,000,000 9% SENIOR BONDS DUE 2015  
AND  
UNLISTED WARRANTS  
AND  
SPECIFIC PERFORMANCE OBLIGATIONS  
ON THE CONTROLLING SHAREHOLDER UNDER RULE 13.18  
OF THE LISTING RULES**

**Financial Adviser**



The Board is pleased to announce that on 29 June 2012 (after trading hours), the Company entered into the Subscription Agreement with the Subscribers. Pursuant to the Subscription Agreement, (i) the Company conditionally agreed to issue to the Subscribers, and each Subscriber agreed to, severally but not jointly, subscribe, on the Closing Date, to the Bonds in the aggregate principal amount of HK\$140,000,000; (ii) the Company conditionally agreed to issue and Asian Equity agreed to subscribe for Warrants in the amount of HK\$20,000,000 for nil

consideration upon Closing; and (iii) the Company conditionally agreed to issue and PA International agreed to subscribe for Warrants in the amount of HK\$120,000,000 for nil consideration upon Closing. The Warrants carry the rights to subscribe for the Warrant Shares at the initial Exercise Price of HK\$0.16 per Warrant Share during the Warrant Exercise Period. The Warrants are detachable from the Bonds. The Bonds and the Warrants can be transferred individually and separately. The Warrant Shares will be issued under the 2012 General Mandate.

As at the date of this announcement, the Company has a total of 7,195,284,615 Shares in issue. Assuming there is no further issue or repurchase of the Shares and there is no adjustment to the Exercise Price, upon the full exercise of the subscription rights attaching to the Warrants, 875,000,000 Warrant Shares will be issued, which represents approximately 12.16% of the existing issued share capital of the Company and approximately 10.84% of the issued share capital as enlarged by the issue of the Warrant Shares.

No application will be made for the listing of the Warrants on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the granting of the listing of, and the permission to deal in, the Warrant Shares.

The estimated net proceeds of the Bonds Issue (after deduction of commissions, professional fees and other administrative expenses) will be approximately HK\$138 million, which is intended to be used as general working capital of the plant situated in Guangan, Sichuan, the PRC and general working capital of the Group.

The proceeds from the issue of the Warrant Shares upon the full exercise of the subscription rights attaching to the Warrants of HK\$140 million will be applied to redeem the Bonds.

**Shareholders and potential investors should note that completion of the Subscription Agreement is subject to the satisfaction of certain conditions as set out under the paragraph headed “Conditions precedent” of the section headed “The Subscription Agreement” of this announcement. As the transactions contemplated by the Subscription Agreement may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares, and if they are in doubt about their position, they should consult their professional advisers.**

## **THE SUBSCRIPTION AGREEMENT**

The Board is pleased to announce that on 29 June 2012 (after trading hours), the Company entered into the Subscription Agreement with the Subscribers. Pursuant to the Subscription Agreement, (i) the Company conditionally agreed to issue to the Subscribers, and each Subscriber agreed to, severally but not jointly, subscribe, on the Closing Date, to the Bonds in the aggregate principal amount of HK\$140,000,000 (as to HK\$20,000,000 by Asian Equity and HK\$120,000,000 by PA International); (ii) the Company conditionally agreed to issue and Asian Equity agreed to subscribe for Warrants in the amount of HK\$20,000,000 for nil consideration upon Closing; and (iii) the Company conditionally agreed to issue and PA International agreed to subscribe for Warrants in the amount of HK\$120,000,000 for nil consideration upon Closing.

### **Parties**

Issuer: the Company

Controlling Shareholder: Li Weiruo

Subscribers: Asian Equity

PA International

Asian Equity is an open-end investment company incorporated in the Cayman Islands with limited liability and a Shareholder holding 75,000,000 Shares, representing approximately 1.04% of the issued share capital of the Company as at the date of this announcement. Asian Equity seeks to invest in both listed and unlisted special opportunities, in Asia and primarily in equities and equity related instruments. PA International is a company limited by shares incorporated in the British Virgin Islands. PA International is wholly owned by Pacific Alliance Asia Opportunity Fund L.P. (acting through its general partner, Pacific Alliance Group Asset Management Limited), a fund managed by PAG (formerly known as the Pacific Alliance Group), one of Asia's largest Asia-focused fund managers with offices across Asia including Hong Kong, Shanghai, Beijing and Tokyo. Each Subscriber is principally engaged in the business of investment holding.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, other than the Shares held by Asian Equity as aforesaid, each Subscriber and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

## **Conditions precedent**

The obligations of the Subscribers to subscribe to the Bonds is subject to the fulfillment and/or waiver of, among other things:

- 1) the Company having delivered to the Subscribers a copy of the approval of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares;
- 2) the current listing of the Shares on the Stock Exchange not having been cancelled or withdrawn, the Shares continuing to be traded on the Stock Exchange at all times from the date thereof to and including the Closing Date (save for temporary suspension for not more than five consecutive Business Days or pending clearance of any announcement to be published by the Company under the Listing Rules regarding transactions contemplated by the Transaction Documents);
- 3) all requirements, if any, imposed by the Stock Exchange, in connection with the contemplated transactions under the Transaction Documents, have been complied with in full;
- 4) the representations and warranties contained in the Subscription Agreement shall be true, correct, accurate, complete and not misleading when made, and shall continue to be true, correct, accurate, complete and not misleading up to the Closing Date with the same force and effect as if they had been repeated throughout the period between the signing thereof and the Closing Date and on and as of the Closing Date, or as of another date if any representations and warranties are made with respect to such other date;
- 5) each of the Company and the Controlling Shareholder shall have performed and complied with all covenants, agreements, obligations and conditions contained in the Transaction Documents that are required to be performed or complied with by it on or before the closing and shall have obtained and delivered to such Subscribers all applicable government, regulatory or other approvals, consents, waivers and qualifications necessary to complete the transactions contemplated hereby and under the other Transaction Documents;
- 6) all corporate and other proceedings in connection with the transactions contemplated hereby and under the other Transaction Documents on the closing and all documents and instruments incidental to such transactions shall be satisfactory in substance and form to such Subscriber, and such Subscriber shall have received all copies of such documents as it may request;

- 7) the Subscribers shall have been satisfied with the results of its commercial, financial and legal due diligence on the Group in its sole discretion;
- 8) the Subscribers shall have received all financial statements or information of the Company that the Subscribers have requested in writing;
- 9) there shall not, since the date of the Subscription Agreement, have been any adverse change to the condition (financial or otherwise), results of operations, assets, regulatory status, business and prospects of the Company or any of its material subsidiary or the financial markets or economic conditions (whether micro or macro) in general that has had a material adverse effect on the Company or any of its material subsidiary; and
- 10) there shall not have occurred any event of default pursuant to the terms and conditions of the Bonds.

In the event that any of the conditions is not fulfilled or waived by the Subscribers on or before 31 July 2012, the Subscribers may, at their options, without prejudice to their rights under the Subscription Agreement and under applicable laws, (i) to defer the Closing to a later date no more than 30 days from the original Closing Date; (ii) to proceed to the Closing so far as practicable; or (iii) to terminate the Subscription Agreement and the Subscription Agreement will forthwith become null and void, and there shall be no liability or obligation on the part of the Company or the Subscribers under the Subscription Agreement or in connection with the transaction contemplated thereby, except that such termination shall not relieve any breaching party from liability thereunder from breach of any representation or warranty contained therein or any breach of any covenant or agreement contained therein.

### **Principal terms of the Bonds**

The principal terms of the Bonds to be issued under the Subscription Agreement are summarized as follows:

Bonds Subscription Amount:	HK\$140,000,000.
Issue Price:	100% of the aggregate principal amount of the Bonds.
Issue Date:	Closing Date.

**Interest:** The Bonds will bear interest from the Closing Date at the rate of 9% per annum on the outstanding principal amount of the Bonds, payable semi-annually, in arrears with the first interest payment to be made by the date that is six months from the issue date. Default in the payment of interest will be subject to the default interest rate of 25% per annum and calculated on the basis of a 360-day year.

**Maturity Date:** The date which is three years following the Closing Date.

**Redemption:** The Company may not at its option repay or redeem the Bonds prior to the Maturity Date.

**Events of Default:** The Bonds will contain certain events of default. If any event of default pursuant to the terms and conditions of the Bonds occurs, default interest rate of 25% per annum calculated on the basis of a 360-day year on the outstanding principal amount of the Bonds shall apply. The holder of the Bonds, upon lodging a notice of default, may require the Bonds be redeemed immediately at the Redemption Amount.

**Put Option:** Each Subscriber shall be entitled by notice in writing to the Company (“**Put-Option Notice**”), after the second anniversary of the Closing Date, but not later than the date which is fourteen days before the Maturity Date, to require the Company to redeem the Bonds (“**Put-Option Bonds**”) held by it in a maximum principal amount equal to 50% of its respective bond subscription amount at the Put-Option Purchase Price.

Put-Option Purchase Price shall mean such amount equal to the aggregate of (1) 100% of the initial subscription price paid by a Subscriber for the Put-Option Bonds upon their issuance; (2) interest accrued and outstanding on the Put-Option Bonds as stated in the Put Option Notice to the date of redemption by the Company; and (3) any default interest payment accrued and outstanding to such Subscriber in respect of the Put-Option Bonds.

Guarantee by the  
Controlling  
Shareholder:

The Controlling Shareholder irrevocably and unconditionally:

- (1) guarantees to the holders of the Bonds punctual performance by the Company of all its obligations under the terms and conditions of the Bonds;
- (2) undertakes that whenever the Company does not pay any amount when due under of in connection with the terms and conditions of the Bonds, that it shall immediately on demand by a holder of the Bonds pay that amount as if it was the principal obligor;
- (3) indemnifies each holder of the Bonds immediately on demand against any cost, loss or liability suffered by the holder of the Bonds if any obligation guaranteed by it (or anything which would have been an obligation if not unenforceable, invalid or illegal) is or becomes unenforceable, invalid or illegal. The amount of the cost, loss or liability shall be equal to the amount which the holder of the Bonds would otherwise have been entitled to recover.

Ranking of the Bonds:

The Bonds constitute direct, unconditional, unsubordinated and senior obligations of the Company and rank equally and without any reference amongst themselves. The payment obligations of the Company under the Bonds will (subject to any obligations preferred by mandatory provisions of law) rank senior to all other present and future direct, unconditional and unsubordinated obligations of the Company (except for any moneys borrowed by the subsidiary of the Company pursuant to the loan agreement entered into between the subsidiary of the Company and International Finance Corporation dated 16 April 2009 and referred to in the Company's announcement dated 17 April 2009). No application will be made for a listing of the Bonds on any stock exchange.

Further indebtedness:	If the Company proposes to incur any further indebtedness for borrowed money (not being in the ordinary course of business), the Company shall give holders of the Bonds written notice offering to each holders of the Bonds the right to provide a pro rata amount of the proposed borrowing.
Set-off of the Exercise Price by the outstanding principal amount of the Bonds:	The Warrantholder, when subscribing for the Warrant Shares, may satisfy the Exercise Price by applying by way of set off in whole or in part the outstanding principal amount of the Bonds held by such Warrantholder in an amount equal to all or part of the total Exercise Price payable for the Warrant Shares upon the exercise of the rights to subscribe for Warrant Shares. Upon the occurrence of such set-off event, the Bonds subject to the set-off shall be deemed to have been redeemed by the Company.
Transferability	Subject to the compliance with the applicable laws, the Bonds are freely transferrable.

### **Closing**

Closing of the subscription of the Bonds shall take place on the Closing Date.

### **Restriction on the use of proceeds**

Pursuant to the Subscription Agreement, the amount of the net proceeds of the Bonds Issue (after deduction of all necessary costs and expenses) is restricted to be used as general working capital of the plant situated in Guangan, Sichuan, the PRC and general working capital of the Group.

### **SPECIFIC PERFORMANCE OBLIGATIONS ON THE CONTROLLING SHAREHOLDER UNDER RULE 13.18 OF THE LISTING RULES**

Pursuant to the Subscription Agreement, during the term of the Subscription Agreement and the Bonds, the Controlling Shareholder shall not transfer or agree to transfer any Shares (the “**Specific Performance Obligation**”). It will be an event of default if the Specific Performance Obligation is breached; and in such case, the Subscribers may require that the Bonds be redeemed immediately at the Redemption Amount.

The Company will make continuing disclosure in its subsequent interim and annual reports for so long as the Specific Performance Obligation continues to exist pursuant to the requirements of Rule 13.21 of the Listing Rules.



## **THE WARRANTS**

### **Securities to be issued**

Upon Closing, the Company agreed to issue and (i) Asian Equity agreed to subscribe for Warrants in the amount of HK\$20,000,000; and (ii) PA International agreed to subscribe for Warrants in the amount of HK\$120,000,000. The Warrants carry the rights to subscribe for one Warrant Share at the initial Exercise Price of HK\$0.16 per Warrant Share (subject to adjustment pursuant to the Warrant Instrument).

### **Number of Warrant Shares**

The Warrants will carry the rights to subscribe at any time and from time to time during the Warrants Exercise Period for Warrant Shares. As at the date of this announcement, the Company has a total of 7,195,284,615 Shares in issue. Based on the initial Exercise Price of HK\$0.16, a total of 875,000,000 Warrant Shares may be allotted and issued, representing approximately 12.16% of the existing issued Shares or approximately 10.84% of the issued share capital of the Company as enlarged by the Warrant Shares.

### **Warrants Exercise Period**

From the Closing Date and ending at 5:00 p.m. (Hong Kong time) on the earlier of: (1) the date on which all the rights of the Warrantholders to subscribe for the Warrant Shares have been exercised or lapsed in full; and (2) the day immediately preceding the Maturity Date.

### **Exercise Price**

The initial Exercise Price is HK\$0.16 per Warrant Share.

The Exercise Price is subject to adjustment in certain events such as subdivision or consolidation of the Shares, capitalisation issue, capital distribution, rights issue, issue of convertible or exchangeable securities or Shares issue at a price less than 90% of the market price, purchase and cancellation of securities of the Company.

The initial Exercise Price was determined and agreed after arm's length negotiations between the Company and the Subscribers, taking into account the Group's existing financial position, liquidity of the Shares in the market, the number of Warrant Shares and the recent trading prices of the Shares.

The initial Exercise Price of HK\$0.16 represents:

- (a) a premium of approximately 24.0% to the closing price per Share of HK\$0.129 as quoted on the Stock Exchange on 29 June 2012, being the date of the Subscription Agreement;
- (b) a premium of approximately 25.0% to the average of the closing prices per Share as quoted on the Stock Exchange for the five consecutive Trading Days ended on 29 June 2012, being HK\$0.128 per Share;
- (c) a premium of approximately 25.0% to the average of the closing prices per Share as quoted on the Stock Exchange for the ten consecutive Trading Days ended on 29 June 2012, being HK\$0.128 per Share; and
- (d) a discount of approximately 8.0% to the latest net asset value per Share of HK\$0.174 as at 31 December 2011 (based on the audited net assets of the Group as of 31 December 2011 published on the Stock Exchange’s website and the number of issued shares as at the date of this announcement).

### **Put Option**

The Warrantholder shall be entitled by service of a put-option notice (the “**Warrant Put-Option Notice**”) upon the Company during the period commencing on the 36th Business Day prior to the Maturity Date and ending on the 14th day prior to the Maturity Date (or if a notice is given by the Company to its Shareholders to convene a Shareholders’ meeting to approve the voluntarily wind-up of the Company, during the period commencing on the date of service of such notice and ending 14 Business Days thereafter), to require the Company to purchase unexercised Warrants held by such Warrantholder at the Warrant Put-Option Purchase Price.

“Warrant Put-Option Purchase Price” shall be an amount in HK\$ equal to:

$$\frac{A}{B} \quad \times C$$

where:

A = the aggregated Exercise Moneys of all Warrants subject to the Warrant Put-Option Notice;

B = the Exercise Price; and

C = 0.0448, unless there has an adjustment to the Exercise Price, in which case it shall be 0.0448 multiplied by a fraction, the numerator of which is the Exercise Price, and the denominator of which is the Exercise Price without regard to any adjustments.

The maximum Warrant Put-Option Purchase Price shall not exceed the unexercised Exercise Moneys multiplied by 28%.

### **Transferability**

Subject to the compliance with the laws, the Warrants (other than those subject to the Warrant Put-Option Notice) are freely transferable to any other person in whole or in part of their total Exercise Moneys provided that no transfer shall be made to a connected person (as defined in Chapter 14A of the Listing Rules) of the Company.

### **Ranking of the Warrant Shares**

All Warrants Shares allotted and issued will rank pari passu with the fully paid Shares in issue on the relevant Exercise Date.

### **Voting**

None of the Warrantholders will be entitled to attend or vote at any general meetings of the Company by reason only of it being a Warrantholder.

### **Listing**

No application will be made for a listing of the Warrants on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the granting of the listing of, and the permission to deal in, the Warrant Shares.

### **Issuing authority**

The Warrant Shares will be issued pursuant to the 2012 General Mandate. Notwithstanding any adjustments, if any, made, the maximum nominal value of the Warrants Shares which can be issued pursuant to the exercise of the subscription rights attaching to the Warrants in full shall not exceed the maximum nominal value of Shares which the 2012 General Mandate was granted. Immediate prior to entering into the Subscription Agreement, none of the Shares has been issued pursuant to the 2012 General Mandate. The maximum number of Shares that can be issued under the 2012 General Mandate is 1,439,056,923. Assuming there is no further issue or repurchase of the Shares and there is no adjustment to the Exercise Price, upon the full exercise of the subscription rights attaching to the Warrants, 875,000,000 Warrant Shares will be issued. The proposed issue of the Warrants under the Subscription Agreement is therefore within the 2012 General Mandate limit and the issue of the Warrants is not subject to any Shareholders' approval.

## CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming that there is no other change in the shareholding structure of the Company immediately before the subscription rights attaching to the Warrants are exercised in full, the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately upon the full exercise of the subscription rights attached to the Warrants based on the initial Exercise Price of HK\$0.16 will be as follows:

Shareholders	As at the date of this announcement		Immediately after completion of the issue of 875,000,000 Warrant Shares to the Subscribers	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
International Financial Corporation	799,884,615	11.12	799,884,615	9.91
<b>Directors</b>				
Li Weiruo	2,924,440,000	40.64	2,924,440,000	36.24
Yuan Bai	366,464,000	5.09	366,464,000	4.54
Chi Chuan	62,640,000	0.87	62,640,000	0.78
Man Au Vivian	31,320,000	0.44	31,320,000	0.39
<b>Subscribers</b>				
Asian Equity	75,000,000	1.04	200,000,000	2.48
PA International	—	—	750,000,000	9.29
<b>Public Shareholders</b>				
Other public Shareholders	<u>2,935,536,000</u>	<u>40.80</u>	<u>2,935,536,000</u>	<u>36.37</u>
	<b><u>7,195,284,615</u></b>	<b><u>100.00</u></b>	<b><u>8,070,284,615</u></b>	<b><u>100.00</u></b>

## FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Set out below are the equity fund raising activities conducted by the Company in the past twelve months immediately preceding the date of this announcement:

<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds intended to be raised</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
17 June 2011	Subscription of new Shares by a substantial Shareholder	Approximately HK\$54 million	Development and productivity expansion of second phase urea plant of the Group located in Dazhou, Sichuan Province, the PRC	Not applicable because the subscription agreement was lapsed as announced by the Company on 25 May 2012
29 July 2011	Placing of new Shares with bonus warrants	Approximately HK\$49.5 million	Group's general working capital	Not applicable because the placing agreement was terminated by the placing agent on 9 August 2011

Save as and except for the above, the Company had not conducted any other equity fund raising activities in the past twelve months immediately preceding the date of this announcement.

## **REASON FOR THE ENTERING INTO THE SUBSCRIPTION AGREEMENT AND USE OF PROCEEDS**

The Company was incorporated in the Cayman Islands with limited liability. The Company is an investment holding company and its subsidiaries are principally engaged in research and development, manufacture, marketing and distribution of chemical products, chemical fertilizers and bulk blending fertilizers.

The estimated net proceeds of the Bonds Issue (after deduction of commissions, professional fees and other administrative expenses) will be approximately HK\$138 million, which is intended to be used as general working capital of the plant situated in Guangan, Sichuan, the PRC and general working capital of the Group. Such plant is to produce chemical products including synthetic ammonia and methanol.

The Warrants will be issued upon Closing at nil consideration. Assuming exercise in full of the subscription rights attaching to the Warrants based on the initial Exercise Price of HK\$0.16 per Warrant Share, the proceeds from the issue of the Warrant Shares will be HK\$140 million. The Company intends to apply the proceeds from the exercise of the subscription rights attaching to the Warrants to redeem the Bonds.

The Warrants are detachable from the Bonds. The Bonds and the Warrants can be transferred individually and separately. The Directors are of the view that the Bonds Issue and any allotment and issue of the Warrant Shares offer a good opportunity to raise additional capital for the Group and to strengthen the financial position of the Group. Accordingly, the Directors consider that (i) the entry into the Subscription Agreement and the transactions contemplated thereunder and the issue of the Warrants are in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Subscription Agreement and the issue of the Warrants are fair and reasonable.

**Shareholders and potential investors should note that completion of the Subscription Agreement is subject to the satisfaction of certain conditions as set out under the paragraph headed “Conditions precedent” of the section headed “The Subscription Agreement” of this announcement. As the transactions contemplated by the Subscription Agreement may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares, and if they are in doubt about their position, they should consult their professional advisers.**

## DEFINITION

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

“2012 General Mandate”	the general mandate granted by the Shareholders to the Directors in the annual general meeting of the Company held on 11 May 2012 to allot and issue up to an aggregate of 1,439,056,923 Shares
“Asian Equity”	Asian Equity Special Opportunities Portfolio Master Fund Ltd, a company incorporated in the Cayman Islands
“Board”	the board of Directors
“Bonds”	the senior bonds of an aggregate principal amount of HK\$140,000,000 at the interest rate of 9% per annum due in 2015 to be issued by the Company under the Subscription Agreement
“Bonds Issue”	the issue of the Bonds by the Company
“Business Day(s)”	a day on which commercial banks in Hong Kong are generally open for business other than Saturday and Sunday or a public holiday, or a day on which commercial banks do not open for business owing to a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal being in force in Hong Kong
“Closing”	the issue of the Bonds by the Company, after the fulfillment or waiver of the conditions precedent set out in the Subscription Agreement
“Closing Date”	the date of the Bonds Issue, which is a date no later than four (4) Business Days, or at such other time as the Company and the Subscribers may mutually agree upon, after the fulfillment or waiver of the conditions precedent set out in the Subscription Agreement
“Company”	Ko Yo Chemical (Group) Limited
“Controlling Shareholder”	Li Weiruo, an executive Director of the Company

“Director(s)”	director(s) of the Company
“Exercise Date”	in relation to any Warrant, the close of business on any business day falling during the Warrant Exercise Period on which any of the subscription rights represented by such Warrant are duly exercised by a Warrantholder provided that if such rights are exercised during a period when the register of holders of Shares is closed, the Exercise Date shall be the next following business day on which the register of holders of Shares is open
“Exercise Moneys”	the amount stated on the face of the Warrants certificate as the amount which the Warrantholder of such Warrants is entitled to apply to subscribe for the Warrant Shares upon the exercise of the subscription rights attaching thereto
“Exercise Price”	the sum payable in respect of each Warrant Share to which the registered holder of each Warrant will be entitled upon exercise of the subscription rights represented thereby
“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 PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date being three years following the Closing Date
“PA International”	PA International Opportunity VII Limited, a company incorporated in the British Virgin Islands
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan



“Redemption Amount”	in respect of any Bonds, means the aggregate of: (1) an amount equal to 100% of the initial subscription price paid for the principal amount of the Bonds upon its initial issue pursuant to the Subscription Agreement; (2) interest accrued and outstanding thereon; and (3) any default interest accrued and outstanding on the Bonds
“Share(s)”	ordinary share(s) of HK\$0.02 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	PA International and Asian Equity, each a Subscriber and collectively the Subscribers
“Subscription Agreement”	the subscription agreement dated 29 June 2012 entered into between the Company and the Subscribers
“Trading Day(s)”	any day (other than a Saturday or Sunday) on which the Stock Exchange is open for dealing business, provided that if the Stock Exchange is closed for part of such day, or if no closing price in respect of the relevant Shares is reported or published by or derived from Bloomberg (or its successor) for one or more consecutive dealing days or no Shares have been traded on such dealing day(s), such day or days will be disregarded in any relevant calculation and will be deemed not have existed when ascertaining any period of dealing days
“Transaction Documents”	the transaction documents relating to the Bonds Issue and the issue of the Warrants
“Warrant(s)”	unlisted warrant(s) issued by the Company in registered form conferring subscription rights entitling the Warrantholder(s) to subscribe for the Warrant Shares at the Exercise Price (subject to adjustment)
“Warrants Exercise Period”	the period commencing on the Closing Date and ending at 5:00p.m. (Hong Kong time) on the earlier of: (1) the date on which all the rights of the Warrantholders to subscribe for the Warrant Shares have been exercised or lapsed in full; and (2) the day immediately preceding the Maturity Date

“Warrant Instrument”	the instrument constituting the Warrants to be executed by the Company
“Warrant Share(s)”	new Shares to be allotted and issued by the Company upon exercise of the subscription rights attaching to the Warrant(s) by the Warrantholder(s)
“Warrantholder(s)”	in relation to any Warrant(s), the person or persons who is or are for the time being registered on the register maintained by the Company as the holder or joint holders of the Warrant(s)
“%”	per cent.

By order of the Board of  
**Ko Yo Chemical (Group) Limited**  
**Li Weiruo**  
*Chairman*

Hong Kong, 29 June 2012

*As at the date of this announcement, the Board comprises five executive Directors, being Mr. Li Weiruo, Mr. Yuan Bai, Ms. Chi Chuan, Ms. Man Au Vivian and Mr. Li Shengdi and three independent non-executive Directors, being Mr. Hu Xiaoping, Mr. Woo Che-wor, Alex and Mr. Qian Laizhong.*