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**SANVO Fine Chemicals Group Limited**  
**三和精化集團有限公司**

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

**(Stock Code: 301)**

**DISCLOSEABLE TRANSACTION**  
**IN RELATION TO ACQUISITION OF 100% EQUITY INTEREST IN**  
**A HONG KONG COMPANY HOLDING LAND IN PUYANG CITY,**  
**HENAN PROVINCE, THE PRC**

**DISCLOSEABLE TRANSACTION**

The Board is pleased to announce that on 28 October 2021, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor in relation to the Acquisition at a collective consideration of RMB55 million. The principal asset of the Target Company is the Land.

Upon completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company.

**LISTING RULES IMPLICATION**

As the highest applicable percentage ratio set out in Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **INTRODUCTION**

The Board is pleased to announce that on 28 October 2021, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor in relation to the Acquisition at a collective consideration of RMB55 million. The principal asset of the Target Company is the Land.

## **THE AGREEMENT**

Major terms of the Agreement are set out below:

- Date : 28 October 2021.
- Purchaser : Integrity Knights Group Limited, an indirect wholly-owned subsidiary of the Company.
- Vendor : Mr. Jack Chan (to the best of the Board's knowledge, information and belief having made all reasonable enquiries, the Vendor is an Independent Third Party).
- Subject matter : Pursuant to the Agreement, the Purchaser agreed to acquire and the Vendor agreed to sell 100% equity interest in the Target Company. As at the date of this announcement, the Vendor holds 100% equity interest in the Target Company. The entitlement of the Land is owned by Dechem PRC, a wholly owned foreign entity of the Target Company established in the PRC with limited liability. The principal asset of Dechem PRC is the Land.

Consideration : The collective consideration for the Acquisition is RMB55 million, which was agreed by the Purchaser (with the approval of the Board) and the Vendor based on arm's length negotiation. Part of the consideration will be settled directly against prepayments made to the Vendor and liabilities in the Target Company and Dechem PRC. The remaining balance will be settled within 15 working days after completion of the relevant share transfer procedures of the equity interest in the Target Company. The Board considers that the Consideration is fair and reasonable after taking into account (i) the indicated costs associated with the Land; (ii) prevailing market value of lands in authorised industrial park in Central China; (iii) supply and location of lands available for manufacturing of chemical related products; and (iv) the benefits as described under the paragraph headed "Reasons for and Benefits of the Acquisition".

The Consideration will be settled by the internal resources of the Group.

Completion : It is currently expected that the Completion will take place on or before 30 November 2021 upon the official completion of relevant share transfer procedures of the equity interest in the Target Company in Hong Kong.

Upon the Completion, the Target Company and Dechem PRC will become indirect wholly-owned subsidiaries of the Company.

## **INFORMATION OF THE PARTIES TO THE AGREEMENT**

### **The Group and the Purchaser**

The Group is an established fine industrial chemical products manufacturer based in the PRC. The principal activities of the Group are researching, developing, manufacturing and sales of a diversified portfolio of fine industrial chemical products, which can serve a range of purposes, including as hardware and building materials, as well as automotive maintenance.

The Purchaser is an investment holding company incorporated in the British Virgin Islands and is an indirect wholly-owned subsidiary of the Company.

## The Vendor

The Vendor is a merchant and an Independent Third Party.

## INFORMATION OF THE TARGET COMPANY AND THE LAND

The Target Company is an investment holding company incorporated in Hong Kong on 31 October 2019 with limited liability and wholly owned by the Vendor, being an Independent Third Party.

Dechem PRC is a wholly owned foreign entity of the Target Company established in the PRC with limited liability. It is an investment holding company. Its principal activities are manufacturing and sales of chemical products.

Set out below is a summary of the unaudited consolidated financial information of the Target Company:

	<b>For the year ended 31 December 2020 RMB (approximately)</b>	<b>For the 9 months ended 30 September 2021 RMB (approximately)</b>
Loss before and after taxation	22,000	—
	<b>As at 31 December 2020 RMB (approximately)</b>	<b>As at 30 September 2021 RMB (approximately)</b>
Total assets	37,200,000	39,300,000
Net Assets	147,000	209,000

The Land is a piece of industrial land with an area of approximately 150 mu (equivalent to approximately 100,352 sq.m), located in Puyang City, Henan, the PRC. The land use right period is 50 years from 30 July 2021.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group is intending to expand its market reach to Central China in the future, taking into account the economic growth in domestic provinces and geographical advantage in logistic arrangements with distributors in Eastern China, Northwest and Northeast China.

The Land is located in an authorised industrial park (for the manufacturing of chemical related products) in Puyang City, Henan Province, the PRC. The Vendor has conducted all the necessary negotiation and lobbying works in order to obtain written approval for tax and subsidy preferential policies with the local authorities. The tax concession and subsidy will be materialised after Dechem PRC achieved the predetermined investment, revenue and tax payment criteria.

The Group has conducted onsite due diligence works, including but not limited to, covering site visits, feasibility studies, documentation audit (i.e. official invoice and receipts, bank supporting documents for payments made to the relevant authorities for the land use rights), interviews and discussions with the relevant authorities.

Taking into account the above factors, the Board considers that the terms of the Agreement are on normal commercial terms, fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATION**

As the highest applicable percentage ratio set out in Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

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

- |               |   |   |
|---------------|---|---|
| “Acquisition” | : | acquisition of the Target Company by the Purchaser from the Vendor  |
| “Agreement”   | : | the provisional sale and purchase agreement dated 28 October 2021 and entered into by the Purchaser and the Vendor in relation to the Acquisition |

“Board”	:	the board of Directors
“Company”	:	SANVO Fine Chemicals Group Limited
“Completion”	:	completion of the Acquisition
“Target Company”	:	Dechem Chemicals Holdings Limited, a company incorporated in Hong Kong with limited liability. Its ultimate beneficiary owner is Mr. Jack Chan
“Dechem PRC”	:	Dechem Chemicals (Henan) Limited (德謙化工(河南)有限公司), a wholly owned foreign entity of the Target Company established in the PRC with liability
“Director(s)”	:	director(s) of the Company
“Group”	:	the Company and its subsidiaries
“Hong Kong”	:	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	:	persons who are not connected persons (as defined in the Listing Rules) of the Company and the Group, and are third parties independent of and not connected with the Group and its connected persons (as defined in the Listing Rules)
“Land”	:	Industrial land with an area of approximately 150 mu (equivalent to approximately 100,352 sq.m), located in Puyang City, Henan, the PRC
“Listing Rules”	:	the Rules Governing the Listing of Securities on the Stock Exchange
“mu”	:	a unit of land traditionally used in East Asia equivalent to approximately 666.67 sq.m
“Purchaser”	:	Integrity Knights Group Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“PRC”	:	the People’s Republic of China
“RMB”	:	Renminbi, the lawful currency for the time being of the PRC

“Shareholders”	:	shareholders of the Company
“sq.m”	:	square meter, unit of area
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“Vendor”	:	Mr. Jack Chan

By Order of the Board  
**SANVO Fine Chemicals Group Limited**  
**Mr. Chen Bingqiang**

*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 28 October 2021

*As at the date of this announcement, the executive Directors are Mr. Chen Bingqiang, Mr. Chen Bingyao and Mr. Ng Cheuk Lun; and the independent non-executive Directors are Ir. Daniel Lai, Mr. Xu Kai and Mr. Yeung Chun Yue David.*