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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)

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO
THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 –
GRANT OF SHARE OPTIONS AND SHARE AWARDS**

Reference is made to the annual report of SANVO (the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2023 published on 25 April 2024 (the "2023 Annual Report"). Unless otherwise defined, capitalized terms used herein have the same meanings as defined in the 2023 Annual Report.

The Company would like to provide further information in relation to the share options and share awards granted during the year ended 31 December 2023 pursuant to the Listing Rules.

Share-based payments

The Company operates a share option scheme and a share award scheme which are equity-settled share-based compensation enabling eligible persons of the Group to receive share options for subscribing the shares of the Company or share awards. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Cancellation of share options and award shares

No share options and award shares were cancelled during the year ended 31 December 2023.

The number of share options available for grant

As at 1 January 2023, the number of share options available for grant under the Amended 2019 Share Options Scheme was 42,750,000.

As at the date of the 2023 Annual Report, the number of Shares available for future grant under the Amended 2019 Share Option Scheme, the 2023 Share Award Scheme and other share schemes of the Company (collectively, the "Share Schemes") was 40,565,754, representing approximately 8.63% of the 470,250,000 ordinary shares in issue as at the date of the 2023 Annual Report.

The total number of Shares that may be issued in respect of options and awards granted under all share schemes of the Company during the year ended 31 December 2023 divided by the weighted average number of Shares in issue for the year ended 31 December 2023 was approximately 5.33%.

Summary of matters relating to the Share Schemes reviewed by the Remuneration Committee

Grant of share options and award shares

During 31 December 2023, the Company granted 21,648,000 share options under the Amended 2019 Share Option Scheme to an executive Director and certain employees and granted 2,184,246 award shares under the Share Award Scheme to 210 employees. Subject to the terms of the Share Schemes, with the review of the Remuneration Committee, the vesting period of all the share options and award shares granted was no less than 12 months.

Performance target and Clawback mechanism

There is no performance target attached to the share options and award shares granted to the grantees.

The purposes of the Share Option Scheme are to (i) recognise and acknowledge the contributions of eligible participants have had or may have made to the Group; (ii) motivate the eligible participants to optimise their performance efficiency for the benefit of the Group; and (iii) attract and retain or otherwise maintain on-going business relationships with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.

Where 4,400,000 shares options were granted to an executive Director, namely Mr. Ng Chek Lun, taking into account (i) the value of the Share Options is linked to future price of the Shares; (ii) the contributions made by the Grantees to the Group during their tenure of office; (iii) the Grantees will directly contribute towards enhancing the overall performance of the Group; (iv) the vesting conditions of the Share Options; and (v) the Share Option Scheme provides for the lapse and cancellation of Share Options under various scenarios, the remuneration committee of the Company and the Board are of the review that without additional performance target and clawback mechanism, the grant of the Share Options could align the interests of the Grantees with incentive to the Grantees to work towards successes of the Group, and reinforce their commitment to long term services of the Group, which is in line with the purpose of the Share Option Scheme.

Pursuant to the terms of the Share Award Scheme, where such grantee (i) ceases to be an employee of the Group by reason of the termination of his/her employment on grounds entitling the employer to effect such termination without notice or payment in lieu of notice; (ii) having been convicted of any criminal offence involving his/her integrity or honesty; (iii) has been guilty of persistent or serious misconduct; (iv) has committed any act of bankruptcy; (v) has made any arrangement or composition with his/her creditors generally; or (vi) having done something which brings the Group into disrepute or causes damages to the Group (including, among others, causing material misstatement of the financial statements of the Company), any Award granted to such grantee (to the extent not being vested) shall lapse immediately and automatically.

By Order of the Board

SANVO Fine Chemicals Group Limited

Mr. Chen Bingqiang

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 20 August 2024

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