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If you are in any doubt as to any aspect of this supplemental circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in SANVO Fine Chemicals Group Limited, you should at once hand this supplemental circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This supplemental circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this supplemental circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this supplemental circular misleading.



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 CIRCULAR TO THE COMPANY'S CIRCULAR TO SHAREHOLDERS DATED 30 MAY 2023 RELATING TO (1) PROPOSED ADOPTION OF 2023 SHARE AWARD SCHEME; (2) PROPOSED AMENDMENTS TO 2019 SHARE OPTION SCHEME; (3) PROPOSED REFRESHMENT OF SCHEME LIMIT; AND (4) SUPPLEMENTAL NOTICE OF ANNUAL GENERAL MEETING

This supplemental circular should be read together with the Company's circular dated 30 May 2023 to Shareholders. Please refer to the "Definitions" section of this supplemental circular for the meanings of the capitalized terms used in this front cover.

The initial notice of 2023 AGM of the Company's annual general meeting in 2023 to be held on Friday, 30 June 2023 at 3:00 p.m. was set out in the initial circular. A supplemental notice of 2023 AGM dated 13 June 2023 is set out on pages 43 to 46 of this supplemental circular. By such supplemental notice of 2023 AGM, an additional resolution will be proposed for Shareholders' consideration at the 2023 AGM, in relation to the proposed adoption of 2023 Share Award Scheme, proposed amendments to 2019 Share Option Scheme and proposed refreshment of scheme limit, details of which are set out in this supplemental circular.

The second proxy form for use at the 2023 AGM, which contains the additional resolution to be proposed at the 2023 AGM, is sent together with this supplemental circular in which the supplemental notice of 2023 AGM is set out. Any shareholder who has not yet lodged the first proxy form with the Company is requested to lodge the second proxy form if he/she wishes to appoint proxies to attend the 2023 AGM on his/her behalf. In such case, the first proxy form should not be lodged with the Company. Whether or not you intend to attend the 2023 AGM, you are requested to complete the second proxy form in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar as soon as practicable and in any event not less than 48 hours (i.e. 10:00 a.m. on Wednesday, 28 June 2023) before the holding of the 2023 AGM. Completion and return of the second proxy form will not preclude you from attending and voting in person at the 2023 AGM or any adjournment thereof should you so wish.

13 June 2023

* For identification purpose only

DEFINITIONS

In this supplemental circular, unless the context otherwise requires, the following expressions shall have the following respective meanings:

“2019 Share Option Scheme”	share option scheme of the Company adopted on 13 December 2019, and as further amended (and if applicable, approved by the Shareholders) from time to time
“2023 AGM”	the annual general meeting of the Company to be held at Portion 2, 12th Floor, The Center, 99 Queen’s Road Central, Hong Kong on Friday, 30 June 2023 at 3:00 p.m.
“2023 Share Award Scheme”	the employee share award scheme of the Company adopted by the Board on the Adoption Date
“Adoption Date”	the date on which the 2023 Share Award Scheme is approved by the Shareholders at the 2023 AGM
“Amended 2019 Share Option Scheme”	the 2019 Share Option Scheme as amended by incorporating the Proposed Share Scheme Amendments to be approved at the 2023 AGM
“Articles of Association”	the articles of association of the Company as amended, supplemented or otherwise modified from time to time
“Award(s)”	award(s) of the Award Shares by the Board pursuant to the 2023 Share Award Scheme to a Selected Employee
“Award Letter”	a letter issued by the Company to a Selected Employee in such form as determined by the Board from time to time, specifying the Grant Date, the number of Award Shares, the vesting criteria and conditions, the vesting date and such other details as the Board may consider necessary

DEFINITIONS

“Award Shares”	those award shares to be awarded to the Selected Employees under the subject to the terms and conditions of the 2023 Share Award Scheme
“Board”	the board of Directors
“Company”	SANVO Fine Chemicals Group Limited (三和精化集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 301)
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
“Director(s)”	the director(s) of the Company
“First Form of Proxy”	the original form of proxy of the 2023 AGM despatched on 30 May 2023
“Grant Date”	the date on which the grant of an Award is made to a Selected Employee
“Grantee”	means any Selected Employee who accepts an Award in accordance with the terms of the 2023 Share Award Scheme or, where the context so permits, a person entitled to any such Award in consequence of the death of the original Grantee or the legal personal representative of such person
“Group”	the Company and our subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Computershare Hong Kong Investor Services Limited

DEFINITIONS

“Initial Circular”	circular of the Company dated 30 May 2023
“Initial Notice of 2023 AGM”	notice of the 2023 AGM dated 30 May 2023
“Listing Date”	16 January 2020, being the date on which the Shares were listed and traded on the Main Board of the Stock Exchange
“Proposed Share Scheme Amendments”	the proposed amendments to the 2019 Share Option Scheme as set out in Appendix I to this circular
“Second Proxy Form”	the revised form of proxy enclosed with this supplemental circular
“Scheme Limit”	the total number of Shares which may be issued in respect of all options and awards to be granted under the Amended 2019 Share Option Scheme, 2023 Share Award Scheme and any other schemes of the Company
“Selected Employee(s)”	full-time employee(s) of any member of the Group (excluding any director of any member of the Group, chief executive of the Company and any of their associates) as selected by the Board in its discretion to be eligible to participate in the 2023 Share Award Scheme, who is/are not a connected person, and whose employment with the Group is/are not subject to contractual renewal or the subject of any employment termination notice
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the Company
“Shareholder(s)”	the holder(s) of the Share(s)

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Supplemental Notice of 2023 AGM”	the revised notice of the 2023 AGM as set out on pages 43 to 46 of this supplemental circular
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs as amended from time to time and administered by the Securities and Futures Commission of Hong Kong
“Vesting Date”	the date on which an entitlement of such Grantee to the Award Shares is vested in such Grantee
“Vesting Period”	the minimum period for which an Award must be held before it can be vested as the Board may in its absolute discretion determine
“%”	per cent



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)

Executive Directors:

Mr. Chen Bingqiang

Mr. Chen Bingyao

Mr. Ng Cheuk Lun

Independent non-executive Directors:

Ir. Daniel Lai

Mr. Xu Kai

Mr. Yeung Chun Yue David

Registered office:

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Cayman Islands

*Headquarters and principal
place of business in the
PRC:*

Dacen Industrial Park

Huangpu Town, Zhongshan

Guangdong Province

The PRC

*Principal place of business in
Hong Kong:*

5/F., 349 Hennessy Road

Wanchai, Hong Kong

13 June 2023

Dear Shareholders,

**SUPPLEMENTAL CIRCULAR TO
THE COMPANY'S CIRCULAR TO SHAREHOLDERS
DATED 30 MAY 2023
RELATING TO PROPOSED ADOPTION OF 2023 SHARE AWARD SCHEME;
PROPOSED AMENDMENTS TO 2019 SHARE OPTION SCHEME;
PROPOSED REFRESHMENT OF SHARE SCHEME;
AND
SUPPLEMENTAL NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

Reference is made to the initial circular of the Company dated 30 May 2023, which set out the initial notice of 2023 AGM, which notice contains certain resolutions proposed to be considered and, if thought fit, approved by Shareholders at the 2023 AGM.

LETTER FROM THE BOARD

The purpose of this supplemental circular is to provide you with details of the proposed adoption of 2023 Share Award Scheme, proposed amendments to the 2019 Share Option Scheme and proposed refreshment of Scheme Limit, which are proposed to be considered and, if thought fit, approved by Shareholders at the 2023 AGM, the proposed resolution relating to which is set out the Supplemental Notice of 2023 AGM.

PROPOSED ADOPTION OF 2023 SHARE AWARD SCHEME

On 9 June 2023, the Board resolved to approve the 2023 Share Award Scheme and to propose the adoption of the 2023 Share Award Scheme for approval by the Shareholders.

The Award Shares are unconditional awards to the Selected Employees in addition to their normal monthly salary.

Pursuant to Chapter 17 of the Listing Rules, share schemes involving the grant of new Shares must be approved by shareholders of the listed issuer in general meeting. Accordingly, the adoption of the 2023 Share Award Scheme will be subject to, among others, the Shareholders' approval at the 2023 AGM.

As at the date of this circular, the Board intended to grant Awards to the Selected Employees immediately upon the adoption of the 2023 Share Award Scheme but had not formulated any concrete plan regarding the scale of the potential grants. An announcement(s) will be made by the Company setting out the details as required by Rules 17.06A and 17.06B of the Listing Rules (as the case may be) upon the grant of Awards.

A summary of the principal terms of the 2023 Share Award Scheme is set out below:

Purpose of the 2023 Share Award Scheme

The purpose of the 2023 Share Award Scheme is to recognize, including but not limited to, the incredible contribution made towards the listing of the Company on the Stock Exchange and the continuous contribution made towards the development of the Group by the employees of the Group during the COVID-19 epidemic and global economic downturn and to provide Selected Employees with incentives for their contribution or potential contribution to the development and long-term growth of the Group.

LETTER FROM THE BOARD

Administration

The 2023 Share Award Scheme shall be subject to the administration of the Board in accordance with the rules, terms and conditions of the 2023 Share Award Scheme. The decisions of the Board as to all matters relating to the 2023 Share Award Scheme or its interpretation shall be final and binding.

Hence, no any trustee will be appointed to administer the 2023 Share Award Scheme, and none of the Directors is a trustee of the 2023 Share Award Scheme nor has a direct or indirect interests in the trustee(s) of the 2023 Share Award Scheme (if any).

Duration

Subject to any early termination as may be determined by the Board, the 2023 Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on the Adoption Date.

Grant of Awarded Shares

Subject to the terms of the 2023 Share Award Scheme, the Board may, from time to time, at its absolute discretion select any employee as a Selected Employee, grant Awards to any Selected Employee and determine the number of Award Shares to be granted.

In determining the eligibility of Selected Employees and the number of Awarded Shares to be granted, the Board may take into consideration, including but not limited to, the following matters:

1. the past contribution of the relevant Selected Employee made towards the listing of the Company on the Stock Exchange;
2. the past and/or future satisfaction of key performance indicators (such as individual performance assessment based on the periodic and/or annual performance assessment and review results);
3. the continuous contribution of the relevant Selected Employee made towards the development of the Group during the COVID-19 epidemic and global economic downturn;

LETTER FROM THE BOARD

4. the expected and potential contribution of the relevant Selected Employee to the development and long-term growth of the Group;
5. the length of employment of the relevant Selected Employee with the Group;
6. the current level of salary of the relevant Selected Employee;
7. the general financial condition of the Group; and
8. any other matter which the Board considers relevant.

The Board is entitled to impose any conditions (including, without limitation, the performance, operating and financial targets and other criteria, if any, to be satisfied by the Selected Employee), as it deems appropriate in its sole and absolute discretion before the Awarded Shares can vest. The Board shall issue Award Letter to such Grantee specifying the Grant Date, the number of Award Shares, the vesting criteria and conditions, the vesting date and such other details as the Board may consider necessary.

An offer of Award is accepted by a Selected Employee when the acceptance form attached to the Award Letter duly signed by such Selected Employee is received by the Company together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof within such time as may be specified in the Award Letter (which shall not be later than one month from the offer date). Such remittance is not refundable in any circumstances. Where the offer of Award is not accepted within the prescribed period of time as specified in the Award Letter, the Award will be deemed not to have taken effect and will automatically lapse forthwith on the day following the last day of the prescribed period.

Any Award shall be personal to the Grantee and shall not be transferrable or assignable to any other person prior to the Vesting Date, unless a waiver is granted by the Stock Exchange allowing the transfer of the Awards from a Selected Employee to a vehicle (such as a trust or a private company) for the benefit of such Selected Employee and any family members of such Selected Employee (e.g. for estate planning or tax planning purposes) that would continue to meet the purpose of the 2023 Share Award Scheme and comply with the requirements of the Chapter 17 of the Listing Rules.

LETTER FROM THE BOARD

Scheme Limit

The maximum number of Shares which may be allotted and issued in respect of the Amended 2019 Share Option Scheme, 2023 Share Award Scheme and any other share scheme(s) of the Company shall not in aggregate exceed 42,750,000 Shares, being 10% of the Shares in issue as at the Adoption Date. Unless expressly approved by the Shareholders at general meeting and expressly allowed by the Stock Exchange, no any options or awards may be granted under any share schemes of the Company if the grant of such options or awards would result in the Scheme Limit being exceeded.

As at the date of this circular, a total of 19,680,000 share options granted under the 2019 Share Option Scheme shall continue to be valid.

Any options or awards lapsed in accordance with the terms of the respective share scheme of the Company will not be regarded as utilised for the purpose of calculating the Scheme Limit.

The Company may seek approval of the Shareholders at general meeting for refreshing the Scheme Limit after three (3) years from (i) the Adoption Date; or (ii) the date of the Shareholders' approval for the last refreshment (as the case may be). In any event, the total number of Shares which may be allotted and issued in respect of the Amended 2019 Share Option Scheme, 2023 Share Award Scheme and any other share scheme(s) of the Company shall not in aggregate exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Any refreshment to the Scheme Limit within any three-year period must be approved by the Shareholders, where any controlling Shareholder and his associates (or if there is no controlling shareholder, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates) must abstain from voting in favour of the relevant resolution at the general meeting and in accordance with the requirements under the Listing Rules. Such requirements are not applicable if the refreshment is made immediately after an issue of securities by the Company to the Shareholders on a pro rata basis as set out in Rule 13.36(2)(a) of the Listing Rules such that the unused part of the Scheme Limit (as a percentage of the total number of Shares in issue) upon refreshment is the same as the unused part of the Scheme Limit immediately before the issue of securities, rounded to the nearest whole Share.

LETTER FROM THE BOARD

For the purpose of seeking approval of the Shareholders at general meeting for refreshing the Scheme Limit, the Company must send a circular to the Shareholders containing the information as required by the Listing Rules from time to time, including the reason for the refreshment.

No Award may be granted to any one Selected Employee such that the total number of Shares issued and to be issued in respect of all options and awards granted to such person (excluding any options and awards lapsed in accordance with the terms of the respective share scheme of the Company) in any 12-month period up to and including the date of such grant exceeds 1% of the issued Shares from time to time, unless such grant is separately approved by the Shareholders in general meeting with such grantee and his/her close associates (with the meaning ascribed thereto under the Listing Rules) abstaining from voting in accordance with Rules 17.03D(1) of the Listing Rules. In such case, the Company shall send a circular to the Shareholders containing the identity of each Selected Employee who may be granted such Award, the number and terms of the Awards to be granted to each Selected Employee (and those previously granted to such participant in the 12-month period), the purpose of granting Awards to the Selected Employee with an explanation as to how the terms of the Awards serve such purpose and other relevant requirements under the Listing Rules. The number and terms of Awards to be granted to such Selected Employee must be fixed before the Shareholders' approval.

Operation

Pursuant to the 2023 Share Award Scheme, the Board may, from time to time, at its absolute discretion select any eligible employee to participate in the 2023 Share Award Scheme as a Selected Employee and to grant the Award Shares and determine the number of Award Shares to be awarded as well as the terms and conditions to be complied with by any Selected Employee. However, until so selected, no employee shall be entitled to participate in the 2023 Share Award Scheme.

LETTER FROM THE BOARD

Vesting of Awarded Shares

Subject to the terms and conditions of the 2023 Share Award Scheme and the fulfillment of all relevant vesting conditions, the Board shall on the Vesting Date (or if any Vesting Date is not a business day, on the next business day) cause the Company to allot and issue to such Selected Employee such number of new Award Shares as set out in the Award Letter and the Board shall cause to be paid the subscription money for the new Award Shares, representing the nominal value of the new Award Shares multiplied by the number of new Award Shares to be issued, from the Group's resources.

The vesting of any Awards under the 2023 Share Award Scheme shall be subject to a Vesting Period to be determined by the Board in its absolute discretion, which shall be specified in the Award Letter. Only insofar as and for so long as the Listing Rules require, the Vesting Period for the Awards under the 2023 Share Award Scheme shall not be less than 12 months, unless the Board determines in its sole discretion that the Awards granted to Selected Employee may be less than 12 months under the following specific circumstances:

- (i) grants of "make-whole" Awards to a Selected Employee who is an employee of the Group to replace the share options or awards such person forfeited when leaving his previous employer(s);
- (ii) grants of Awards to a Selected Employee whose employment is terminated due to death or disability or event of force majeure;
- (iii) grants of Awards which are subject to the fulfilment of performance targets as conditions of the Awards;
- (iv) grants of Awards made in batches during a year for administrative and compliance reasons;
- (v) grants of Awards with a mixed or accelerated vesting schedule such as where the Awards may vest evenly over a period of 12 months; and
- (vi) grants of Awards with a total vesting and holding period of more than 12 months.

LETTER FROM THE BOARD

The Board is of the view that the discretion in allowing a shorter vesting period in each of the circumstances gives the Company more flexibility to provide competitive remuneration package to reward exceptional performers and grant Award in exceptional circumstances where justified, which is in line with the purpose of the 2023 Share Award Scheme.

Rights on takeover

If a general offer is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional prior to the Vesting Date, the Board shall determine at its discretion whether such Award Shares shall vest in such Selected Employees and the time at which such Award Shares shall vest.

Rights on winding-up

In the event that a notice is given by the Company to the Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all Grantees on the same day as it despatches to the Shareholders the notice convening the general meeting. Notwithstanding any other terms on which the Award was granted, the Shares underlying the Award (to the extent not being vested) shall vest in such Grantees.

Rights on compromise or arrangement between the Company and its members or creditors

If a compromise or arrangement between the Company and its Shareholders or creditors is proposed for the purposes of a scheme for the reconstruction of the Company or its amalgamation with any other companies pursuant to the laws of the jurisdiction in which the Company was incorporated, the Company shall give notice to all the Grantees on the same day as it gives notice convening the general meeting to its Shareholders or creditors summoning the meeting to consider such a compromise or arrangement and the Shares underlying the Award (to the extent not being vested) shall vest in such Grantees.

LETTER FROM THE BOARD

Rights on compromise or arrangement between the Company and its members or creditors

If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of the amalgamation of the Company with or its takeover by any other company prior to the Vesting Date, the Company shall give notice to the Grantees on the same date as it despatches the notice to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and upon such compromise or arrangement being sanctioned by the court and becoming effective. All Awards that have not been vested shall immediately vest on such effective date and such date shall be deemed the Vesting Date.

The Directors are of the view that the Vesting Period for Awards granted to Selected Employee may be less than 12 months under specific circumstances as set out above is appropriate because such arrangement is in line with the requirements under the Listing Rules and market practice, and gives the Company flexibility to provide a competitive remuneration package to reward exceptional performers with accelerated vesting or in exceptional circumstances where justified, which is in line with the purpose of the 2023 Share Award Scheme.

Performance targets

The Board may at its discretion specify any condition in the Award Letter at the grant of the relevant Awards which must be satisfied before the vesting of the Awards. Save as determined by the Board and provided in the Award Letter, there is no performance target which must be achieved before the vesting of the Awards under the terms of the 2023 Share Award Scheme. The Directors are of the view that the flexibility given to the Directors in relation to the performance targets will place the Group in a better position to reward its employees and retain human resources that are valuable to the growth and development of the Group as a whole.

LETTER FROM THE BOARD

If performance targets are imposed upon grant of Awards, the Board will have regard to the purpose of the 2023 Share Award Scheme in assessing such performance targets, with reference to factors including but not limited to, as and when appropriate, sales performance (e.g. revenue), operating performance (e.g. profits, operation efficiency in term of cost control), financial performance (e.g. profits, cash flow, earnings, market capitalization, return on equity) of the Group, corporate sustainability parameter (e.g. timeliness and accuracy in handling customer feedback, team work capabilities, adherence to corporate culture) and discipline and responsibility (e.g. punctuality, integrity, honesty or compliance with internal business procedures), the satisfaction of which shall be assessed and determined by the Board at its sole discretion.

Clawback

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.

If the Grantee ceases to be a Selected Employee for any reason other than the above, the Award (to the extent not being vested) shall lapse forthwith unless the Board determines otherwise in which event the Award (or such remaining part thereof) shall vest.

The Company does not have a policy of clawing back share options or Award Shares that have already been exercised or have already been delivered to Grantee, as the case may be.

LETTER FROM THE BOARD

Lapse of Award

The Award (to the extent not being vested) shall lapse automatically upon the following events:

- (a) the date on which 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);
- (b) the expiry of any of the periods for accepting or exercising the Award;
- (c) the date on which such Grantee breaching the rule against transferring the Awards; and
- (d) on the date on which an order for the winding up of the Company is made or a resolution is passed for the voluntary winding up of the Company.

Cancellation of Award

The Board may at any time with the consent of and on such terms as may be agreed with the relevant Grantee cancel Awards previously granted but which have not yet vested.

Where the Company cancels Awards and offers new Awards to the same Selected Employee, the offer of such new Awards may only be made with available Awards to the extent not yet granted (excluding the cancelled Awards) within the Scheme Limit pursuant to the requirements of the Listing Rules.

LETTER FROM THE BOARD

Restrictions on time of grant of Award

The Company may not grant any award(s) after inside information has come to the Company's knowledge until (and including) the trading day after the Company has announced the information in accordance with the requirements of the Listing Rules and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). In particular, the Company may not grant any award(s) during the period commencing one (1) month immediately before the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. No any award(s) may be granted during any period of delay in publishing a results announcement.

Further to the restrictions in the preceding paragraphs, the Company may not make any grant of award(s) on any day on which financial results of the Company are published and:

- (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (b) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

LETTER FROM THE BOARD

Rights attaching to the Award and the Award Shares

A Selected Employee shall not have any interest or rights (including the right to receive dividends) in the Award Shares under an Award prior to the Vesting Date; and a Selected Employee shall have no voting rights in the Award Shares under an Award prior to the Vesting Date.

The Award Shares to be allotted and issued shall rank pari passu with the fully paid Shares in issue on the date of allotment.

Alteration of 2023 Share Award Scheme

The 2023 Share Award Scheme may be altered by a resolution of the Board. However, provided that any amendments to the terms of the 2023 Share Award Scheme shall comply with the applicable requirements of Chapter 17 of the Listing Rules, a prior approval of the Shareholders in general meeting by ordinary resolution is required for the following matters:

- (a) any alterations to the terms and conditions of the 2023 Share Award Scheme which are material in nature or any alterations to the provisions of the 2023 Share Award Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the Selected Employees;
- (b) any change to the authority of the Board to alter the terms of the 2023 Share Award Scheme; and
- (c) any alteration to the aforesaid alteration provisions.

Any alteration to the terms and conditions of the Awards granted to a Selected Employee must be approved by the Board, the remuneration committee, the independent non-executive Directors and/or the Shareholders (as the case may be) if the initial grant of the Awards was approved by the Board, the remuneration committee and/or the independent non-executive Directors and/or the Shareholders (as the case may be).

LETTER FROM THE BOARD

Adjustment

Upon the occurrence of capitalisation issue, rights issue, sub-division or consolidation of the Shares or reduction of share capital of the Company, except where the Shares are issued as consideration or part consideration in a transaction), the number and the subscription price of Award Shares may be adjusted in a manner as determined by the Board (having received a statement in writing from the independent financial adviser or the auditor of the Company that in their opinion the adjustments proposed satisfy the requirements set out in Rule 17.03(13) of Listing Rules), in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the 2023 Share Award Scheme for such Selected Employee(s). The adjustment must give a Selected Employee the same proportion of the Award Shares, rounded to the nearest whole Share, as that to which he/she was previously entitled, but no such adjustment may be made to the extent that a Share would be issued at less than its nominal value (if any).

Termination

The Company may by resolution in general meeting at any time terminate the 2023 Share Award Scheme and in such event no further Award shall be granted but the provisions of the 2023 Share Award Scheme shall remain in force and effect in all other respects.

All Awards granted prior to such termination and not then vested shall continue to be valid and be vested upon expiry of the relevant Vesting Period, subject to and in accordance with the 2023 Share Award Scheme.

Scheme rules for inspection

A copy of the 2023 Share Award Scheme will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sanvo.com) for display for a period of not less than 14 days before the date of the 2023 AGM and the 2023 Share Award Scheme will be made available for inspection at the 2023 AGM.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the eligibility of Selected Employees to participate in the 2023 Share Award Scheme is in line with the purpose of the 2023 Share Award Scheme, and the proposed adoption of the 2023 Share Award Scheme is fair and reasonable and in the interests of the Company and the Shareholders as a whole as it gives flexibility to the Company to grant Awards to the Selected Employees when necessary.

LETTER FROM THE BOARD

PROPOSED AMENDMENTS TO 2019 SHARE OPTION SCHEME

The Board proposed the Proposed Share Scheme Amendments to align with the amendments to Chapter 17 of the Listing Rules, which took effect on 1 January 2023.

A summary of the principal terms of the Amended 2019 Share Option Scheme is set out in Appendix I to this supplemental circular.

A copy of the Amended 2019 Share Option Scheme will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.sanvo.com for a period of not less than 14 days before the date of the 2023 AGM and is also made available for inspection at the 2023 AGM.

No any trustee will be appointed to administer the Amended 2019 Share Option Scheme, and none of the Directors is a trustee of the Amended 2019 Share Option Scheme nor has a direct or indirect interests in the trustee(s) of the Amended 2019 Share Option Scheme (if any).

PROPOSED REFRESHMENT OF SCHEME LIMIT

The 2019 Share Option Scheme was adopted by the Shareholders on 13 December 2019. Apart from the 2019 Share Option Scheme, the Company has no other share option scheme or share award scheme currently in force. Up to the date of this circular, a total of 19,680,000 share options have been granted, among which 4,000,000 share options were granted to Mr. Ng Cheuk Lun, an executive Director and the company secretary of the Company, and 15,680,000 share options were granted to certain employees of the Group. There were no share options cancelled, lapsed or exercised under the 2019 Share Option Scheme.

Pursuant to the terms of the 2019 Share Option Scheme, the maximum number of Shares which may be issued in respect of the 2019 Share Option Scheme shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date, being 42,750,000 Shares, which may be renewed subject to prior approval of the Shareholders.

Pursuant to the amendments to Chapter 17 of the Listing Rules taking effect on 1 January 2023, the Scheme Limit must not exceed 10% of the relevant class of shares of the listed issuer in issue as at the date of approval of the scheme, and the scheme limit may be refreshed (i) every three (3) years with approval of shareholders; or (ii) within a three-year period with approval of shareholders but with the controlling shareholder and its associates abstaining from voting.

LETTER FROM THE BOARD

At the 2023 AGM, the Directors are seeking approval of the Shareholders to approve the Proposed Share Scheme Amendments and the adoption of the 2023 Share Award Scheme. The purposes of the Amended 2019 Share Option Scheme and the 2023 Share Award Scheme are, among others, recognising and acknowledging the contributions of the Eligible Participants and recognising the incredible contribution of the Selected Employees, respectively.

Pursuant to the Frequently Asked Questions No. 100-2022 issued by the Stock Exchange, as the scheme mandate limit of 10% applies to all share schemes of a listed issuer, it must amend all its existing share schemes involving issue of new shares when it refreshes or seeks a new scheme mandate for any one share scheme. Therefore, the Directors are seeking approval of the Shareholders to approve the refreshment of the Scheme Limit which will apply to the Amended 2019 Share Option Scheme, 2023 Share Award Scheme and any other share schemes of the Company.

As at the date of this circular, there were 427,500,000 Shares in issue. Provided that the Scheme Limit is refreshed at the 2023 AGM and there is no change in the issued share capital of the Company between the period from the date of this circular and the 2023 AGM, the maximum number of Shares which may be issued under the Amended 2019 Share Option Scheme, the 2023 Share Award Scheme and other share schemes of the Company will be 42,750,000 Shares, being 10% of the Shares in issue as at the date of this circular.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the new Shares to be issued pursuant to the refreshed Scheme Limit.

2023 AGM

The Supplemental Notice of 2023 AGM is set out on pages 43 to 46 of this supplemental circular. Please refer to the initial notice of 2023 AGM and the Initial Circular for details of the other resolutions to be proposed at the 2023 AGM, the voting arrangements, the poll procedure at the 2023 AGM and other related matters.

The Supplemental Notice of 2023 AGM is to notify the Shareholders of the new resolution to be submitted at the 2023 AGM for consideration. Resolutions originally proposed to be submitted at the 2023 AGM for approval and set out in the initial notice of 2023 AGM remain unchanged.

LETTER FROM THE BOARD

The Second Proxy Form is enclosed, a copy of which can also be obtained via the website of the Company at www.sanvo.com or the website of HKEX news at www.hkexnews.hk. Whether or not you intend to attend the 2023 AGM, you are requested to complete the second proxy form in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the 2023 AGM. Completion and return of the second proxy Form will not preclude you from attending and voting in person at 2023 AGM or any adjournment thereof should you so wish.

SECOND PROXY FORM

A second proxy for use in connection with the 2023 AGM is enclosed with this circular and such form of proxy is also published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sanvo.com). If you do not intend to attend the 2023 AGM but wish to exercise your right as a Shareholder, you are requested to complete and sign the form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, not later than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for holding the 2023 AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude any Shareholder from attending and voting in person at the 2023 AGM or any adjournment thereof should he/she/it so wishes and in such event, the form of proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, all resolutions proposed at the 2023 AGM will be voted by poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

On a poll, every Shareholder present in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorised representative, shall have one vote for every fully paid Share of which he/she/it is the holder. A Shareholder entitled to more than one vote need not use all his/her/its votes or cast all such votes in the same way.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolutions to be proposed at the 2023 AGM.

RESPONSIBILITY STATEMENT

This supplemental circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this supplemental circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this supplemental circular misleading.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (including the independent non-executive Directors) believe that the adoption of 2023 Share Award Scheme, the Proposed Share Scheme Amendments to the 2019 Share Option Scheme and the refreshment of the Scheme Limit, as set out in the supplemental notice convening the 2023 AGM are in the interests of the Company and the Shareholders as a whole. Therefore, they recommend that the Shareholders vote in favour of all the resolutions to be proposed at the 2023 AGM as set out in the supplemental notice convening the 2023 AGM on pages 43 to 46 of this circular.

Yours faithfully,

For and on behalf of the Board

SANVO Fine Chemicals Group Limited

CHEN Bingqiang

*Chief Executive Officer, Executive Director and
Chairman of the Board*

The following is a summary of the principal terms of the Amended 2019 Share Option Scheme with the proposed to be adopted at the 2023 AGM but does not form part of, nor was it intended to be, part of the 2019 Share Option Scheme nor should it be taken as affecting the interpretation of the Amended 2019 Share Option Scheme:

(a) Purpose

The Amended 2019 Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions of the Eligible Participants (as defined in paragraph (b) below) to the Group. The Amended 2019 Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

- (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and
- (ii) attracting or retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

Subject to earlier termination by the Company in general meeting, the Amended 2019 Share Option Scheme shall be valid and effective for a period of ten (10) years from the date of adoption of the 2019 Share Option Scheme (i.e. 13 December 2019).

(b) Who may join

The Board may, at its discretion, from time to time, taking into account their (i) contribution to the development and performance of the Group; (ii) quality of work performed for the Group; (iii) initiative and commitment in performing his/her duties; and (iv) length of service or contribution of the Group, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below to the following persons ("**Eligible Participants**"):

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries (including persons who are granted share options under the Amended 2019 Share Option Scheme as an inducement to enter into employment contracts with the Group); and
- (ii) any Directors (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries.

Upon the Amended 2019 Share Option Scheme becoming effective, the Eligible Participants will no longer include (1) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and (2) such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group as mentioned in the 2019 Share Option Scheme.

There were not and there will not be any share options under the 2019 Share Option Scheme and/or the Amended 2019 Share Option Scheme granted to any advisers, consultants, suppliers, customers and agents of the Group, or any persons other than the Eligible Participants.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer for grant of an option to subscribe for the Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (m), (n), (o), (q) and (r), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to the Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for the Shares in respect of which the notice is given.

Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to the Company or the independent financial adviser as the case may be pursuant to paragraph (s), the Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee share certificates in respect of the Shares so allotted.

The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of the Company. Subject thereto, the Board shall make available sufficient authorised but unissued share capital of the Company to allot the Shares on the exercise of share options.

(d) Scheme limit

The maximum number of Shares which may be allotted and issued in respect of the Amended 2019 Share Option Scheme, 2023 Share Award Scheme and any other share scheme(s) of the Company shall not in aggregate exceed 42,750,000 Shares, being 10% of the Shares in issue as at the date approving the Proposed Share Scheme Amendments. Unless expressly approved by the Shareholders at general meeting and expressly allowed by the Stock Exchange, no any options or awards may be granted under any share schemes of the Company if the grant of such options or awards would result in the Scheme Limit being exceeded.

As at the date of this circular, a total of 19,680,000 share options granted under the 2019 Share Option Scheme shall continue to be valid.

Any options or awards lapsed in accordance with the terms of the respective share scheme of the Company will not be regarded as utilised for the purpose of calculating the Scheme Limit.

The Company may seek approval of the Shareholders at general meeting for refreshing the Scheme Limit after three (3) years from (i) the date of approving the Proposed Share Scheme Amendments; or (ii) the date for the shareholders, approval for the last refreshment (as the case may be). In any event, the total number of Shares which may be allotted and issued in respect of the Amended 2019 Share Option Scheme, 2023 Share Award Scheme and any other share scheme(s) of the Company shall not in aggregate exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Any refreshment to the Scheme Limit within any three-year period must be approved by the Shareholders, where any controlling Shareholder and his associates (or if there is no controlling shareholder, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates) must abstain from voting in favour of the relevant resolution at the general meeting and in accordance with the requirements under the Listing Rules. Such requirements are not applicable if the refreshment is made immediately after an issue of securities by the Company to the Shareholders on a pro rata basis as set out in Rule 13.36(2)(a) of the Listing Rules such that the unused part of the Scheme Limit (as a percentage of the total number of Shares in issue) upon refreshment is the same as the unused part of the Scheme Limit immediately before the issue of securities, rounded to the nearest whole Share.

For the purpose of seeking approval of the Shareholders at general meeting for refreshing the Scheme Limit, the Company must send a circular to the Shareholders containing the information as required by the Listing Rules from time to time, including the reason for the refreshment.

(e) Maximum number of options to any one individual

The maximum entitlement of share options of each Eligible Participant under the Amended 2019 Share Option Scheme shall not exceed 1% of the Shares of the Company (i.e. 4,275,000 Shares as at the date of this circular). Where any grant of share options under the Amended 2019 Share Option Scheme to an Eligible Participant would result in the Shares issued and to be issued in respect of all share options and awards granted under the share schemes of the Company (including the Amended 2019 Share Option Scheme and any other share schemes of the Company (as defined under the Listing Rules), where applicable, but excluding any share options and awards lapsed in accordance with the terms of the respective share scheme of the Company) to such person in the 12-month period up to and including the date of such grant exceeds 1% of the Shares in issue, such grant must be separately approved by Shareholders in general meeting with such Eligible Participant and his/her close associates (or associates if the Eligible Participant is a connected person) abstaining from voting. The Company must send a circular to the Shareholders. The circular must disclose the identity of the Eligible Participant, the number and terms of the share options to be granted (and those previously granted to such Eligible Participant in the 12-month period), the purpose of granting share options to the Eligible Participant and an explanation as to how the terms of the share options serve such purpose. The number and terms of the share options to be granted to such Eligible Participant must be fixed before Shareholders' approval. In respect of any share options to be granted, the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under the Listing Rules.

(f) Price of shares

The exercise price in respect of any particular share option granted under the Amended 2019 Share Option Scheme shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant share options (and shall be stated in the letter containing the offer of the grant of the share option) but the exercise price shall not be less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of the Share.

(g) Granting options to connected persons

Subject to the terms in the Amended 2019 Share Option Scheme, each grant of share options to a Director, chief executive or substantial Shareholder, or any of their respective associates under the Amended 2019 Share Option Scheme shall comply with the requirements of Rule 17.04 of the Listing Rules and shall be subject to approval of the independent non-executive Directors (excluding independent non-executive Director who is a grantee).

Where any grant of share options under the Amended 2019 Share Option Scheme to independent non-executive Director or a substantial shareholder (as defined in the Listing Rules) of the Company, or any of their respective associates, would result in the Shares issued and to be issued in respect of all share options and awards granted under the share schemes of the Company (including the Amended 2019 Share Option Scheme and any other share schemes (as defined under the Listing Rules), where applicable, but excluding any options and awards lapsed in accordance with the terms of the respective share scheme of the Company) to such person in the 12-month period up to and including the date of such grant exceeds 0.1% of the relevant class of shares in issue, such further grant of the share options must be approved by the Shareholders in general meeting. The grantee, his/her associates and all core connected persons of the Company must abstain from voting in favour at such general meeting. The Company shall send a circular to its shareholders in accordance with the requirements of the Listing Rules.

The Company must comply with the requirements under Rules 13.40, 13.41, 13.42 and 17.04 of the Listing Rules. The Company must send a circular to the Shareholders, with such grant of share options being subject to the issue of a circular by the Company and such circular to be issued to the Shareholders pursuant to this sub-paragraph shall contain the following information:

- (i) details of the number and terms (including the exercisable period, vesting period of the share options, performance targets (if any), such amount, if any, payable on application or acceptance of the share options, basis of determination of subscription price and the rights attached to the share options, relevant rights with respect to voting and dividend on share options and clawback mechanism with respect to the share options (if any)) of the share options to be granted to each such substantial Shareholder or independent non-executive Director, or any of their respective associates, which must be fixed before the general meeting and the date of Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the exercise price as contemplated under paragraph (f);

- (ii) the views of the independent non-executive Directors (excluding any independent non-executive Director who is a grantee) as to whether the granting terms of the share options are fair and reasonable and whether such grant is in the interests of the Company and the Shareholders as a whole, together with a recommendation from such independent non-executive Directors to the independent Shareholders as to voting; and
- (iii) all such information as may be required under the Listing Rules.

Any change in the terms of share options granted to an Eligible Participant who is a Director, chief executive or substantial shareholder of the Company, or any of their respective associates, must be approved by the Shareholders in the manner as set out in Rule 17.04 of the Listing Rule if the initial grant of the share options requires such approval (except where the changes take effect automatically under the existing terms of the Amended 2019 Share Option Scheme).

(h) Restrictions on time of grant of options

The Board may not grant any share options after inside information has come to the Company's knowledge until (and including) the trading day after the Company has announced the information in accordance with the requirements of the Listing Rules and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of The Laws of Hong Kong). In particular, the Company may not grant any share options during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

- (ii) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the announcement of the results. No any share option may be granted during any period of delay in publishing a results announcement.

Further to the restrictions in the preceding paragraphs, the Company may not make any grant of share options on any day on which financial results of the Company are published and:

- (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Ranking of Shares

Share options granted under the Amended 2019 Share Option Scheme do not carry any right to vote in any general meeting of the Company, or any right, dividend, transfer or any other rights, including those arising on the liquidation of the Company. The Shares to be allotted upon the exercise of the share options shall not carry any voting right until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, the Shares allotted and issued upon the exercise of the share options will be subject to all the provisions of the Articles of Association for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully paid Shares in issue on the date of exercise.

(j) Exercise Period

Subject to any restrictions applicable under the Listing Rules, a share option may be exercised by the grantee at any time during the exercise period to be determined by the Board and notified to the grantee in the notice of grant, in accordance with the terms of the Amended 2019 Share Option Scheme and the terms on which the share option was granted, which shall expire no later than 10 years from the date of grant.

(k) Vesting period of the Amended 2019 Share Option Scheme

Vesting period of share options shall be no less than 12 months. Share options granted to Eligible Participants may be subject to a shorter vesting period under the following circumstances:

- (i) grants to an Eligible Participant whose employment is terminated due to death or disability or event of force majeure;
- (ii) grants of share options with performance-based vesting conditions provided in the scheme document, in lieu of time-based vesting criteria; and
- (iii) grants of share options with a mixed or accelerated vesting schedule such that the share options may vest evenly over a period of 12 months.

The Board is of the view that the discretion in allowing a shorter vesting period in each of the circumstances gives the Company more flexibility to provide competitive remuneration package to reward exceptional performers and grant share options in exceptional circumstances where justified, which is in line with the purpose of the Amended 2019 Share Option Scheme.

(I) Performance target

The Board may at its discretion specify any condition in the offer letter at the grant of the relevant share options which must be satisfied before the vesting of the share options. Save as determined by the Board and provided in the offer letter, there is no performance target which must be achieved before the vesting of the share options under the terms of the Amended 2019 Share Option Scheme. The Directors are of the view that the flexibility given to the Directors in relation to the performance targets will place the Group in a better position to reward the Eligible Participants and retain human resources that are valuable to the growth and development of the Group as a whole.

If performance targets are imposed upon grant of share options, the Board will have regard to the purpose of the Amended 2019 Share Option Scheme in assessing such performance targets, with reference to factors including but not limited to, as and when appropriate, sales performance (e.g. revenue), operating performance (e.g. profits, operation efficiency in term of cost control), financial performance (e.g. profits, cash flow, earnings, market capitalization, return on equity) of the Group, corporate sustainability parameter (e.g. timeliness and accuracy in handling customer feedback, team work capabilities, adherence to corporate culture) and discipline and responsibility (e.g. punctuality, integrity, honesty or compliance with internal business procedures), the satisfaction of which shall be assessed and determined by the Board at its sole discretion.

(m) Rights on ceasing employment/death

If the grantee, who is an employee of our Group at the time of the grant of an option, ceases to be an employee of our Group:

- (i) by any reason other than death, ill-health, injury, disability or termination of his/her relationship with our Company and/or any of its subsidiaries on one or more of the grounds specified in paragraph (n) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) in whole or in part within a period of one month (or such longer period as the Board may determine) from such cessation which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse (or such longer period as our Company may determine); or
- (ii) by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his relationship with our Company and/or any of its subsidiaries under paragraph (n) has occurred, the grantee or, as appropriate, his personal representative(s) may exercise the option in full (to the extent not already exercised) within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death.

(n) Rights on dismissal

If the grantee of an option ceases to be an Eligible Participant by reason of his/her resignation from the employment of our Group or termination of his/her employment or contract on the grounds that he/she has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his/her debts or has become insolvent or has made any arrangements or has compromised with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or has been in breach of contract, his/her option will lapse and not be exercisable after the date of termination of his/her employment. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive.

(o) Rights on takeover

If a general offer is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional during the option period of the relevant share option, the grantee of a share option shall be entitled to exercise the share option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(p) Clawback

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 outstanding share options granted to such grantee (to be extent not being exercised) shall lapse immediately and automatically.

If the grantee ceases to be an Eligible Participant for any reason other than the above, the share option (to the extent not being exercised) shall lapse forthwith unless the Board determines otherwise in which event the share options (or such remaining part thereof) shall vest.

The Company does not have a policy of clawing back share options or award shares that have already been exercised or have already been delivered to grantee, as the case may be.

(q) Rights on winding-up

In the event that a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his share options (to the extent not already exercised) at any time not later than two (2) business days prior to the proposed general meeting of the Company referred to above by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(r) Rights on compromise or arrangement between the Company and its members or creditors

If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of the Company or its amalgamation with any other companies pursuant to the laws of the jurisdiction in which the Company was incorporated, the Company shall give notice to all the grantees of the share options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a compromise or arrangement and any grantee may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by the Company no later than two (2) business days prior to the proposed meeting), exercise the share option to its full extent or to the extent specified in the notice and the Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective share options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective share options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(s) Effect of alterations to capital

In the event of any alteration in the capital structure of the Company whilst any share option remains exercisable, whether by way of capitalisation issue, rights issue, sub-division or consolidation of the Shares or reduction of share capital of the Company (other than the Shares are issued as consideration or part consideration in a transaction), the Board may, if it considers the same to be appropriate, direct that adjustments be made to:

- (i) the number of Shares subject to the share options so far as unexercised; and/or
- (ii) the exercise price of outstanding share options, a statement in writing from the independent financial adviser or the auditor of the Company that in their opinion the adjustments proposed satisfy the requirements set out in Rule 17.03(13) of the Listing Rules, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Amended 2019 Share Option Scheme for such Eligible Participant(s). The adjustment must give an Eligible Participant the same proportion of the Shares, rounded to the nearest whole Share, as that to which he/she was previously entitled, but no such adjustment may be made to the extent that a Share would be issued at less than its nominal value (if any).

(t) Lapse of share option

A share option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of exercisable period as determined by the Board;
- (ii) occurrence of paragraph (p);

- (iii) the expiry of any of the period referred to in paragraphs (m) and (o);
- (iv) the date upon which the grantee ceases to be an Eligible Participant by reason as referred to in paragraph (n) above;
- (v) the date on which the scheme arrangement of the Company referred to in paragraph (r) becomes effective; and
- (vi) subject to paragraph (q), the date of commencement of winding-up of the Company.

(u) Alteration of the Amended 2019 Share Option Scheme

The Amended 2019 Share Option Scheme may be altered by a resolution of the Board. However, provided that any amendments to the terms of the Amended 2019 Share Option Scheme shall comply with the applicable requirements of Chapter 17 of the Listing Rules, a prior approval of the Shareholders in general meeting by ordinary resolution is required for the following matters:

- (i) any alterations to the terms and conditions of the Amended 2019 Share Option Scheme which are material in nature or any alterations to the provisions of the Amended 2019 Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the Eligible Participants;
- (ii) any change to the authority of the Board to alter the terms of the Amended 2019 Share Option Scheme; and
- (iii) any alteration to the aforesaid alteration provisions.

Any alteration to the terms and conditions of the share options granted to an Eligible Participant must be approved by the Board, the remuneration committee, the independent non-executive Directors and/or the Shareholders (as the case may be) if the initial grant of the share options was approved by the Board, the remuneration committee and/or the independent non-executive Directors and/or the Shareholders (as the case may be).

(v) Cancellation of options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event that any option is cancelled pursuant to paragraph (i).

Where the Company cancels share options granted to a grantee and makes a new grant to the same grantee, such new grant may only be made under the Amended 2019 Share Option Scheme with available Scheme Limit approved by Shareholders in accordance with Chapter 17 of the Listing Rules. The share options cancelled will be regarded as utilised for the purpose of calculating the Scheme Limit.

(w) Termination of the Amended 2019 Share Option Scheme

The Company may by resolution in general meeting at any time terminate the Amended 2019 Share Option Scheme and in such event no further share option shall be granted but the provisions of the Amended 2019 Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any share option granted prior thereto or otherwise as may be required in accordance with the provisions of the Amended 2019 Share Option Scheme.

Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Amended 2019 Share Option Scheme.

(x) Transferability

A share option shall be personal to the grantee and shall not be assignable or transferable by the grantee and the grantee shall not in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any share option, provided that where permitted by applicable laws and regulations (including the Listing Rules). Subject to the Stock Exchange granting waiver, a grantee may transfer any share options to a vehicle (such as a trust or a private company) for the benefit of such grantee and family members of such grantee (e.g. for estate planning or tax planning purposes) that would continue to meet the purpose of the Amended 2019 Share Option Scheme and comply with other requirements of the Listing Rules. Where such waiver is granted, the Stock Exchange may require the Company to disclose the beneficiaries of the trust or the ultimate beneficial owners of the transferee vehicle.

(y) Administration of the board

The Amended 2019 Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Amended 2019 Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.



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 NOTICE OF ANNUAL GENERAL MEETING

THIS SUPPLEMENTAL NOTICE IS HEREBY GIVEN THAT the following proposed resolution will be considered and, if thought fit, approved (with or without modification) by shareholders of the Company at the 2023 AGM, in addition to the proposed resolutions set out in the initial notice of 2023 AGM:

1. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

"THAT the share award scheme referred to the circular dispatched to the shareholders of the Company on the same day as this notice, the terms of which are set out in the printed document marked "B" now produced to the meeting and for the purpose of identification signed by the Chairman hereof ("**2023 Share Award Scheme**"), be approved and adopted to be the 2023 Share Award Scheme of the Company and that the Directors be authorised to grant awards thereunder and to allot and issue Shares pursuant to the 2023 Share Award Scheme and take all such steps as may be necessary or desirable to implement such 2023 Share Award Scheme."

2. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

"THAT:

- (a) the proposed amendments to the existing share option scheme adopted by the Company on 13 December 2019 (the "**2019 Share Option Scheme**"), a summary of such amended 2019 Share Option Scheme (the "**Amended 2019 Share Option Scheme**") has been set out in Appendix I to the circular dated 13 June 2023, a copy of which has been produced to the meeting marked "C" and initialed

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by the chairman of the meeting for the purpose of identification, be and is hereby approved (the "**Proposed Share Scheme Amendments**");

- (b) the Proposed Share Scheme Amendments referred to paragraph (a) above shall apply to the outstanding Share Options granted under the 2019 Share Option Scheme and the Share Options to be granted under the Amended 2019 Share Option Scheme with effect from the date of the AGM; and
 - (c) the board of directors of the Company be and is hereby authorised to do all such acts and execute such documents as may be necessary, desirable or expedient in order to give full effect to the Proposed Share Scheme Amendments to the 2019 Share Option Scheme referred to in paragraph (a) above subject to the Listing Rules (as amended from time to time)."
3. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

"**THAT** the maximum number of new shares of the Company that may be allotted and issued by the Company in respect of the Amended 2019 Share Option Scheme, the 2023 Share Award Scheme and other share schemes of the Company which are governed by Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited shall be 42,750,000, subject to adjustment for change of the Company's issued share capital up to the date of the passing of this resolution."

Yours faithfully,

For and on behalf of the Board

SANVO Fine Chemicals Group Limited

CHEN Bingqiang

*Chief Executive Officer, Executive Director and
Chairman of the Board*

Hong Kong, 13 June 2023

NOTICE OF 2023 AGM

Notes:

1. Except for the insertion of supplemental resolution above, all other matters of the 2023 AGM remain unchanged. For details of the other resolutions to be considered and approved at the 2023 AGM, please refer to the initial circular and the initial notice of 2023 AGM dated 30 May 2023.
2. A member entitled to attend and vote at the 2023 AGM is entitled to appoint one or more proxies (whether they are members of the Company or not) to attend and vote on his/her/its behalf at the meeting(s).
3. Where there are joint registered holders of any shares, any one of such persons may vote at the above meeting (or at any adjournment of it), either personally or by proxy, in respect of such shares as if he/she were solely entitled thereto but the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
4. The instrument appointing a proxy must be in writing signed by the appointer or his/her attorney duly authorized in writing. The appointment of proxy shall be made by signing an instrument by the client (shareholder) or by the authorized agent. In the event that a person authorized by the client signs such instrument, an authorization or other authority that authorizes such signatory shall be notarized. To be valid, such notarized authorization or other authority together with the instrument shall be deposited at the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours (i.e. 10:00 a.m. on Wednesday, 28 June 2023) before the time for holding the AGM.
5. Since the proxy form (the "First Proxy Form") sent together with the initial notice of 2023 AGM does not contain the proposed resolution for the Proposed Adoption of 2023 Share Award Scheme and Proposed Amendments to the 2019 Share Option Scheme set out in this supplemental notice, a new proxy form (the "Second Proxy Form") has been prepared and is sent together with the Company's supplemental circular of which this supplemental notice of 2023 AGM forms part.
6. Shareholders are requested to complete and return the Second Proxy Form in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours (i.e. 10:00 a.m. on Wednesday, 28 June 2022) before the time appointed for holding the AGM or any adjournment thereof.
7. A shareholder who has not yet lodged the first proxy form with the Company is requested to lodge the second proxy form if he/she wishes to appoint proxies to attend the 2023 AGM on his/her behalf. In this case, the first proxy form should not be lodged with the Company.
8. A shareholder who has already lodged the first proxy form with the Company should note that:
 - (i) if no second proxy form is lodged with the Company, the first proxy form will be treated as a valid proxy form lodged by him/her if correctly completed. The proxy so appointed by the shareholder will be entitled to vote at his/her discretion or to abstain from voting on any resolution properly put to the 2023 AGM, including the resolution for, among other matters, the Proposed Adoption of 2023 Share Award Scheme and Proposed Amendments to the 2019 Share Option Scheme, as set out in this supplemental notice of 2023 AGM.

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- (ii) if the second proxy form is lodged with the Company 48 hours prior to the time appointed for holding the 2023 AGM (the "Closing Time"), the second proxy form will revoke and supersede the first proxy form previously lodged by him/her. The second proxy form will be treated as a valid proxy form lodged by the shareholder if correctly completed.
 - (iii) if the second proxy form is lodged with the Company after the Closing Time, the second proxy form will be invalid. However, it will revoke the first proxy form previously lodged by the shareholder, and any vote that may be cast by the purported proxy (whether appointed under the first proxy form or the second proxy form) will not be counted in any poll which will be taken on a proposed resolution. Accordingly, shareholders are advised not to lodge the second proxy form after the Closing Time. In such case, if such Shareholders wish to vote at the 2023 AGM, they will have to attend in person and vote at the 2023 AGM themselves.
9. Shareholders are reminded that completion and delivery of the first proxy form and/or the second proxy form will not preclude shareholders from attending and voting in person at the 2023 AGM or at any adjourned meeting should they so wish.
10. Shareholders are reminded to refer to other notes contained in the initial notice of 2023 AGM.

As at the date of this notice, 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.