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Vanov Holdings Company Limited

環龍控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2260)

**ANNUAL RESULTS ANNOUNCEMENT FOR
THE YEAR ENDED 31 DECEMBER 2021**

FINANCIAL HIGHLIGHTS			
	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000	Year-on-year change %
Revenue	213,668	182,759	16.9
Gross profit	113,622	99,619	14.1
Profit before income tax	59,460	48,494	22.6
Profit and total comprehensive income attributable to equity holders of the Company	50,136	40,517	23.7
Earnings per share attributable to equity holders of the Company			
Basic and diluted (RMB cents)	13.71	11.08	23.7

The board (the “**Board**”) of directors (the “**Directors**”) of Vanov Holdings Company Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 with comparative figures for the previous year of 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
Revenue	3	213,668	182,759
Cost of sales		<u>(100,046)</u>	<u>(83,140)</u>
Gross profit		113,622	99,619
Other income		5,509	6,025
Selling and distribution expenses		(19,855)	(17,764)
Administrative and other operating expenses		(31,587)	(32,145)
Finance costs		<u>(8,229)</u>	<u>(7,241)</u>
Profit before income tax		59,460	48,494
Income tax expense	4	<u>(8,770)</u>	<u>(7,481)</u>
Profit and total comprehensive income for the year		<u>50,690</u>	<u>41,013</u>
Profit and total comprehensive income attributable to:			
Equity holders of the Company		50,136	40,517
Non-controlling interests		<u>554</u>	<u>496</u>
		<u>50,690</u>	<u>41,013</u>
Earnings per share attributable to equity holders of the Company			
Basic and diluted (<i>RMB cents</i>)	5	<u>13.71</u>	<u>11.08</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		92,360	72,694
Investment property		40,952	—
Land lease prepayment		5,518	5,856
Intangible assets		61,341	51,108
Prepayment of acquisition for property, plant and equipment and intangible assets		35,784	22,593
Deposit		2,100	2,100
Deferred tax assets		720	1,086
		238,775	155,437
Current assets			
Inventories		11,903	10,034
Trade and other receivables	7	153,477	141,111
Amounts due from related parties		—	205
Restricted bank deposit		—	1,000
Cash and cash equivalent		12,609	29,775
		177,989	182,125
Current liabilities			
Contract liabilities		512	739
Trade and other payables	8	58,793	47,221
Lease liabilities		1,338	1,545
Amount due to a related party		20	27
Discounted bills financing		3,821	—
Bank borrowings		105,000	115,000
Other borrowing		8,326	—
Income tax payable		7,483	6,586
		185,293	171,118

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Net current (liabilities)/assets	<u>(7,304)</u>	<u>11,007</u>
Total assets less current liabilities	<u>231,471</u>	<u>166,444</u>
Non-current liabilities		
Lease liabilities	—	1,338
Other borrowing	14,208	—
Deferred tax liabilities	<u>2,281</u>	<u>814</u>
	<u>16,489</u>	<u>2,152</u>
Net assets	<u>214,982</u>	<u>164,292</u>
CAPITAL AND RESERVES		
Share capital	1	1
Reserves	<u>212,548</u>	<u>162,412</u>
Equity attributable to equity holders of the Company	212,549	162,413
Non-controlling interests	<u>2,433</u>	<u>1,879</u>
Total equity	<u>214,982</u>	<u>164,292</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated in the Cayman Islands on 5 November 2018 as an exempted company with limited liability under the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its headquarter is situated at No. 519, Section 2, Xinhua Avenue, Chengdu Strait Science and Technology Industry Development Park, Wenjiang District, Chengdu, Sichuan Province, the People's Republic of China (the “**PRC**”).

The Company is an investment holding company and its subsidiaries are principally engaged in the design, manufacture and sales of papermaking felts.

Pursuant to a group reorganisation (the “**Reorganisation**”) as detailed in the section headed “History, Reorganisation and Corporate Structure” to the Company's prospectus dated 29 December 2021 (the “**Prospectus**”), the Company became the holding company of the companies now comprising the Group on 13 August 2019.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 11 January 2022 (the “**Listing Date**”).

The consolidated financial statements is presented in RMB, which is also the functional currency of the Company and its subsidiaries.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the accounting principles generally accepted in Hong Kong. The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”).

The Group had net current liabilities of approximately RMB7,304,000 as of 31 December 2021. In view of the net current liabilities position as of 31 December 2021, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Having considered (i) the cash inflow from operations; (ii) the refinancing of bank borrowings upon their expiry by drawing down new bank borrowings; and (iii) the net proceeds of HK\$ 92.8 million, through the global offering (the “**Global Offering**”) of the shares of the Company and the listing of its shares on the Stock Exchange on 11 January 2022, and HK\$4.2 million upon partial exercise of the over-allotment option granted by the Company to the International Underwriters (as defined in the Prospectus) on 31 January 2022, the Directors are satisfied that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements has been prepared on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The consolidated financial statements does not include any adjustments that would result from the failure of the Group to continue in business as a going concern.

Amended HKFRSs that are effective for annual periods beginning on 1 January 2021

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group’s operations and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2021:

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
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In addition, on 1 January 2020, the Group has early applied Amendments to HKFRS 16 “COVID-19-Related Rent Concessions” and “COVID-19-Related Rent Concessions beyond 30 June 2021” which is mandatorily effective for the Group for the financial year beginning on or after 1 April 2021.

Except for those mentioned below, the adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Amendment to HKFRS 16 “COVID-19-Related Rent Concessions” and Amendment to HKFRS 16 “COVID-19-Related Rent Concessions beyond 30 June 2021”

The amendments to HKFRS 16 only apply to lessee accounting and have no effect on lessor accounting. The amendments provide a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 (“**COVID-19-Related Rent Concessions**”) are lease modification and, instead, account for those rent concessions as if they were not lease modifications.

The practical expedient is only applicable to COVID-19-Related Rent Concessions and only if all of the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments originally due on or before 30 June 2022 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022); and
- (c) there is no substantive change to other terms and conditions of the lease.

The Group has elected to early adopt the above amendments and applies the practical expedient to all qualifying COVID-19-Related Rent Concessions granted to the Group throughout the years.

3. REVENUE

The Group was engaged in the design, manufacture and sales of papermaking felts. An analysis of the Group's revenue by products during the year is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Packaging papermaking felts	147,437	124,863
Specialty papermaking felts	39,047	32,090
Printing papermaking felts	11,440	10,732
Household papermaking felts	10,955	9,490
Pulp papermaking felts	4,789	5,584
	<u>213,668</u>	<u>182,759</u>

4. INCOME TAX EXPENSE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax		
PRC Enterprise Income Tax	7,067	7,181
Over-provision in prior year	(130)	(253)
	<u>6,937</u>	<u>6,928</u>
Deferred tax		
Current year	1,833	553
	<u>8,770</u>	<u>7,481</u>

5. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to equity holders of the Company is based on the following:

	2021	2020
Earnings		
Profit for the year attributable to equity holders of the Company (<i>in RMB'000</i>)	<u>50,136</u>	<u>40,517</u>
Number of ordinary shares for the purpose of calculating basic earnings per share	365,800,000	365,800,000
Earnings per share (<i>RMB cents</i>)	<u>13.71</u>	<u>11.08</u>

As at 31 December 2021 and 2020, the total shares of the Company in issue were 12,000 ordinary shares. The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue of 365,788,000 ordinary shares as detailed in paragraph headed “Statutory and General Information — A. Further Information about Our Company — 3. Written resolutions of our Shareholders passed on 9 December 2021 and 22 December 2021” in Appendix V to the Prospectus had been effective on 1 January 2020.

Diluted earnings per share is the same as basic earnings per share for years ended 31 December 2021 and 2020 as there were no dilutive potential ordinary shares in issue during the years.

6. DIVIDEND

The Board did not recommend the payment of a dividend for the year ended 31 December 2021 (2020: nil).

7. TRADE AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables		
— Third parties	135,298	110,475
— Related parties	710	577
Bills receivables	15,553	27,408
Less: Loss allowance provision	<u>(3,639)</u>	<u>(5,724)</u>
	<u>147,922</u>	<u>132,736</u>
Prepayments	844	3,004
Prepaid listing expenses	3,805	3,141
Other receivables	<u>906</u>	<u>2,230</u>
	<u>5,555</u>	<u>8,375</u>
	<u><u>153,477</u></u>	<u><u>141,111</u></u>

As at each reporting date, the ageing analysis of trade receivables based on the delivery date is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 90 days	92,081	73,589
91 days to 180 days	25,505	20,472
181 days to 365 days	11,724	11,314
Over 365 days	<u>6,698</u>	<u>5,677</u>
	<u><u>136,008</u></u>	<u><u>111,052</u></u>

The ageing analysis of bills receivables presented based on issue date at the end of each the reporting period is as follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
0–90 days	10,184	12,894
91–180 days	4,839	12,395
181–365 days	530	2,119
	<u>15,553</u>	<u>27,408</u>

8. TRADE AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables		
— Third parties	<u>25,016</u>	<u>19,054</u>
Other payables		
Other payables	9,007	3,237
Receipt in advance from a tenant	1,225	—
Accruals	6,745	4,514
Accrued listing expenses	5,604	8,425
Warranty provision	4,605	3,932
Provision for legal claim	—	1,903
Other tax payables	<u>6,591</u>	<u>6,156</u>
	<u>33,777</u>	<u>28,167</u>
	<u>58,793</u>	<u>47,221</u>

The Group is granted by its suppliers a credit periods of 30 to 90 days. Based on the invoice dates, the ageing analysis of the trade payables is as follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	11,289	7,961
31 days to 60 days	6,961	4,646
61 days to 90 days	2,585	1,920
91 days to 180 days	1,622	2,087
181 days to 365 days	1,049	1,568
Over 365 days	1,510	872
	<u>25,016</u>	<u>19,054</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group principally engages in the design, manufacture and sales of papermaking felts under the brands of **VANOV** and **Gobear** 专业·彰显品质. Papermaking felts are fabrics used in the papermaking machines for dewatering, pressing, forming and drying of paper in the papermaking process and are consumables with a replacement cycle of approximately 30 to 180 days. The Group provides comprehensive papermaking felts services to customers, from conducting on-site visits and advising customers on the types and specifications of papermaking felts, to sourcing suitable raw materials for its production, conducting quality control, delivering papermaking felts to customers and providing after-sales services.

The Group developed and launched a trial version of Huanlong Paper Machine Efficiency Operation System* (造紙機運營效率優化服務數字平台系統), which is able to gather and store the data of its customers' papermaking machines collected during the provision of its services, so that it can analyse the data and customise the product for customers and provide technical advice of improving the efficiency of customers' papermaking machines. As part of its sales and marketing strategies, upon completion of the development and the launching of the formal version of system, this online platform will allow the Group's selected customers to access its services remotely such as reviewing product development plans, tracking orders and production status, reviewing product examination and technical reports and giving feedback on the efficiency of their papermaking machines.

Riding on its research and development capabilities and data stored in the system, in order to increase customer stickiness to its products, the Group currently also provides complementary papermaking machine efficiency optimisation services from pre-sales technical advice in the use of suitable products and/or customisation of products to after-sales technical advice and evaluation of the effectiveness on customers' papermaking machine to its customers, with a view to increase customers' operational efficiency.

The Group's customers are primarily paper and paper products manufacturers and trading companies, which can be categorised by geographical region, including: (i) PRC paper and paper products manufacturers and trading companies; and (ii) overseas paper and paper products manufacturers and trading companies. Monofilaments and fibre, which are mainly made from nylon, are the major raw materials for the Group's production. The Group's suppliers, who are mainly based in the PRC, provide the Group with raw materials, some of which were imported from Germany and Switzerland.

Financial Review

Revenue

The Group principally engages in the design, manufacture and sales of papermaking felts under the brands of **VANOV** and **Gobear** 专业·耐磨品族. The revenue for the year ended 31 December 2021 was approximately RMB213.7 million, representing an increase of 16.9% as compared to approximately RMB182.8 million for the year ended 31 December 2020, which was mainly attributable to the increase in sales of medium-speed and high-speed felts.

Gross Profit and Gross Profit Margin

The Group's gross profit for the year ended 31 December 2021 was approximately RMB113.6 million, representing an increase of approximately RMB14.0 million from approximately RMB99.6 million for the year ended 31 December 2020. Its gross profit margin decreased from approximately 54.5% for the year ended 31 December 2020 to approximately 53.2% for the year ended 31 December 2021, which was mainly attributable to the change in product mix and an increase in cost of raw materials.

Other Income

Other income for the Group decreased by approximately RMB0.5 million from approximately RMB6.0 million for the year ended 31 December 2020 to approximately RMB5.5 million for the year ended 31 December 2021, which was mainly attributable to the decrease in government subsidies income.

Selling and Distribution Expense

For the year ended 31 December 2021, selling and distribution expense of the Group was approximately RMB19.9 million, as compared to approximately RMB17.8 million for the year ended 31 December 2020. Selling and distribution expense for the year ended 31 December 2021 accounted for approximately 9.3% of its revenue, representing an increase of approximately RMB2.1 million from the year ended 31 December 2020. The increase in selling expense was generally in line with the increase in revenue.

Administrative and Other Operating Expenses

For the year ended 31 December 2021, administrative and other operating expenses of the Group was approximately RMB31.6 million, as compared to approximately RMB32.1 million for the year ended 31 December 2020. Administrative and other operating expenses for the year ended 31 December 2021 accounted for approximately 14.8% of the Group's revenue, representing a decrease of approximately RMB0.6 million as compared to that of the year ended 31 December 2020. Such decrease was mainly due to the decrease in listing expenses.

Finance Cost

For the year ended 31 December 2021, total finance cost of the Group reached approximately RMB8.2 million, representing an increase of approximately RMB1.0 million as compared to approximately RMB7.2 million for the year ended 31 December 2020. The main reason for such increase was the increase of loan interests in other borrowings.

Income Tax Expense

Income tax expense of the Group for the year ended 31 December 2021 reached approximately RMB8.8 million, representing an increase of approximately RMB1.3 million from approximately RMB7.5 million for the year ended 31 December 2020, which was mainly attributable to the increase in the Group's profit before tax.

Effective tax rate (income tax expense divided by profit before income tax for the current year) for the year ended 31 December 2021 was approximately 14.7%, as compared to 15.4% for the year ended 31 December 2020. Such decrease was mainly attributable to more favorable tax policies implemented by the PRC government and an increase in deductible research and development expenses ratio.

Turnover Days of Inventories, Trade Receivables and Trade Payables

Turnover days of inventories of the Group for the year ended 31 December 2021 were 40.0 days, as compared to 46.9 days for the year ended 31 December 2020.

Turnover days for trade receivables of the Group for the year ended 31 December 2021 were 211.0 days, as compared to 209.7 days for the year ended 31 December 2020, which was in line with the credit period granted by the Group to its customers.

Turnover days for trade payables of the Group for the year ended 31 December 2021 were 80.4 days, as compared to 86.3 days for the year ended 31 December 2020.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2021, net assets of the Group reached approximately RMB215.0 million (2020: approximately RMB164.3 million). As at 31 December 2021, current assets and current liabilities of the Group reached approximately RMB178.0 million (2020: approximately RMB182.1 million) and approximately RMB185.3 million (2020: approximately RMB171.1 million). As at 31 December 2021, the current ratio of the Group was 96.1%, as compared to 106.4% as at 31 December 2020.

The Group normally finances its operations from cash generated from its operating activities and bank borrowings. As at 31 December 2021, outstanding borrowings of the Group was approximately RMB127.5 million (2020: approximately RMB115.0 million). These bank borrowings and other borrowings were generally secured by its property, plant and equipment and land. As at 31 December 2021, bank balances and cash of the Group reached approximately RMB12.6 million (2020: approximately RMB29.8 million). Net gearing ratio (total borrowings minus cash and cash equivalents and divided by shareholders' equity) of the Group as of 31 December 2021 was 55.9% (31 December 2020: 53.6%).

The Group has sufficient cash and available bank credit to meet the commitment and its operating cash requirement.

The Group's trading and monetary assets are denominated in RMB. The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall financial risk management policies focuses on the unpredictability and volatility at financial markets and seeks to minimise potential adverse effects on the financial position, financial performance and cash flows of the Group. No derivative financial instruments are used to hedge any risk exposures.

Pledge of Assets

As at 31 December 2021, certain of the Group's assets were pledged to secure bank borrowings of the Group. The aggregate carrying amount of the assets of the Group pledged at 31 December 2021 was approximately RMB76.3 million.

Contingent Liabilities

As at 31 December 2021, the Group did not have any material contingent liabilities.

Trade and Other Payables

For the year ended 31 December 2021, the trade and other payables of the Group were approximately RMB58.8 million.

Employee and Remuneration Policy

As at 31 December 2021, the Group had 309 employees. The remuneration package offered by the Group to its employees generally includes salary, allowances and payment for welfare contributions, including social insurance contributions and housing provident fund contributions. The Group determines its employees' remunerations based on each employee's qualification, relevant experience, position and seniority. The Group conducts annual review on salary increments, bonuses and promotions based on the performance of each employee.

As at 31 December 2021, save for the instances disclosed in the section headed "Business — Legal proceedings and compliance — Non-compliances — (2) Non-compliance in relation to social insurance contributions" in the Prospectus, the Group had made contributions for its employees in the PRC to social security funds (including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing provident fund. For the year ended 31 December 2021, the total staff cost, including salaries, wages and other benefits, and contributions to defined contribution plans, amounted to approximately RMB35.8 million.

The Group provides regular on-the-job training to the employees and conducts yearly reviews of their performance. The Group believes that these initiatives have contributed to stronger work incentive among its employees.

The Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses with reference to salaries paid by the comparable companies, time commitment and the performance of the Group. The Group regularly reviews and determines the remuneration and compensation package of the Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Directors and senior management and the performance of the Group.

Remuneration committee of the Group will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, the time devoted to the Group and the performance of the Group. The Directors may also receive options to be granted under the share option scheme adopted by the Company.

The Group has not experienced any material labour disputes with the employees which had a material impact on its business, financial conditions or result of its operations. The Group has maintained good relationships with its employees.

Recent Development

Global Offering and Listing

On 29 December 2021, the Company offered 114,200,000 ordinary shares for subscription by public in the Global Offering. The offer price per share was determined at HK\$1.22 and the shares of the Company were successfully listed on the Main Board of the Stock Exchange on 11 January 2022. The net proceeds (after deduction of underwriting fees and commissions and other listing expense) from the Global Offering were approximately HK\$92.8 million. In addition, the over-allotment option granted by the Company to the International Underwriters (as defined in the Prospectus) was partially exercised and the Company further issued 3,442,000 ordinary shares, representing approximately 3.0% of the number of ordinary shares of the Company initially offered at HK\$1.22. The additional net proceeds from the partial exercise of the over-allotment option were approximately HK\$4.2 million. The net proceeds would be applied in manners described under the section headed “Future Plans and Use of Proceeds” to the Prospectus.

The Shares of the Company were only listed in January 2022. The Company raised new capital through the Global Offering in 2022, and details of the proposed use of proceeds are set out in the Prospectus.

Impact of the COVID-19 Outbreak

In light of the strict measures against the COVID-19 outbreak and gaining vaccination rate, the PRC economy has demonstrated steady recovery during 2021. However, due to unstable outbreak in many countries around the world, limited international transportation, increase in energy and bulk raw material costs as well as the implementation of the “zero import quota on recovered paper” policy in the PRC, the operation pressure on the paper packaging industry in the PRC has not been eased.

While facing various uncertainties, the Group further enhanced its virus prevention measures, took advantage of its production scale and raw material procurement, provided quality products and services, expanded premium customer base and implemented effective cost control, as such, the Group achieved new high in both sales value and sales volume, with an outstanding increase in profits. In addition, due to the effective control on working capital and financial risks, the Group maintained the net gearing ratio and cash flow at a stable level despite the increment in capital expenditure.

Future Plans

In order to boost the business development of the Group, the Directors intend to implement the following measures: (i) the Group has executed the production capacity expansion plan in three phases from 2021 to 2024 in order to satisfy the increasing demand in its high-speed papermaking felts. Such additional production capacity is intended mainly for manufacturing the papermaking felts used for paper machines of higher speed; (ii) the Group plans to upgrade the Huanlong Paper Machine Efficiency Operation System* (造紙機運營效率優化服務數字平台系統) to facilitate the collection of information from customers' papermaking machines and production machinery and equipment, support the analysis of the data collected from the machines, build database and promote customised product services based on its analysis of the data. The Group will continue to develop its production machinery and equipment based on the information collected using the online platform and allocate more resources to procure staff with relevant expertise to strengthen its information technology facilities; (iii) to achieve future growth, the Group may selectively pursue strategic acquisitions that complement its business and strategic priorities, such as for expanding the business horizontally in the industry chain and supply chain, taking into account factors such as the financial and competitive positions of potential acquisition targets. In particular, the Group intends to acquire papermaking screens manufacturer(s) with the capacity to produce drying screens (乾網) and three-layer screens (三層網), another consumables required by paper manufacturers during the papermaking process, since generally the Group's paper and paper products manufacturers customers which purchase papermaking felts from the Group needs papermaking screens as well, they are major consumables for pressing, forming and drying in the whole papermaking process.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, and Future Plans for Material Investments or Capital Assets

Save as disclosed in the Prospectus, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures, nor was there any plan authorized by the Board for other material investments or additions of capital assets as at 31 December 2021.

Events after the Reporting Period

On the Listing Date, the Company issued 114,200,000 ordinary shares at an offer price of HK\$1.22 per share in the Global Offering and its shares were listed on the Main Board of the Stock Exchange. In addition, the over-allotment option granted by the Company to the International Underwriters (as defined in the Prospectus) was partially exercised and the Company further issued 3,442,000 ordinary shares, representing approximately 3.0% of the number of ordinary shares of the Company initially offered at HK\$1.22.

Save as disclosed above, no other significant events of the Group occurred after the end of 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company's shares were not listed during the year ended 31 December 2021 and no purchase, sale or redemption of the Company's listed shares could be made by the Company until 11 January 2022, the date when the Company's shares were listed on the Main Board of the Stock Exchange.

FINAL DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 December 2021.

CORPORATE GOVERNANCE

The Company's shares were listed on the Main Board of the Stock Exchange on the Listing Date. Since the Listing Date and up to the date of this announcement, the Company had complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all of the Directors confirmed that they have complied with the required standard as set out in the Model Code from the Listing Date up to the date of this announcement.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2021, including the accounting principles and policies adopted by the Group. The Audit Committee considered that the annual results had complied with all applicable accounting standard and the Listing Rules. The Audit Committee has also reviewed this announcement.

SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2021 have been agreed by the Company's auditors, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Grant Thornton Hong Kong Limited on the preliminary announcement.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company ("AGM") will be held on 22 June 2022.

CLOSURE OF REGISTER OF MEMBERS

For Determining the Eligibility to Attend and Vote at the 2022 AGM

The register of members of the Company will be closed from Friday, 17 June 2022 to Wednesday, 22 June 2022 (both days inclusive) for the purpose of determining the shareholders of the Company who are entitled to attend and vote at the AGM. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificate must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 16 June 2022.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the website of the Stock Exchange at *www.hkexnews.hk* and the website of the Company at *www.vanov.cn*. The annual report of the Company for the year ended 31 December 2021 containing all the information required by the Listing Rules will be dispatched to its shareholders and published on the above websites in due course.

PUBLICATION OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The environmental, social and governance report of the Group for the year ended 31 December 2021 will be published on or before 31 May 2022 and will be available on the above websites.

On behalf of the Board
Vanov Holdings Company Limited
Shen Genlian
Chairperson of the Board and executive Director

Hong Kong, 30 March 2022

As at the date of this announcement, the Board comprises four executive Directors, namely Ms. Shen Genlian, Mr. Zhou Jun, Mr. Xie Zonggio and Ms. Yuan Aomei and three independent non-executive Directors, namely Mr. Ip Wang Hoi, Mr. Zhang Shenjin and Mr. Wang Yunchen.

* *For identification purpose only*