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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)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Vanov Holdings Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 with comparative figures for corresponding period in 2021 as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
<b>Revenue</b>	4	77,372	76,515
Cost of sales		(37,687)	(37,438)
<b>Gross profit</b>		39,685	39,077
Other income		9,035	1,264
Selling and distribution expenses		(7,504)	(7,083)
Administrative and other operating expenses		(18,584)	(12,998)
Finance costs		(5,005)	(3,803)
<b>Profit before income tax</b>		17,627	16,457
Income tax expense	5	(2,415)	(2,171)
<b>Profit and total comprehensive income for the period</b>		<b>15,212</b>	<b>14,286</b>
<b>Profit and total comprehensive income attributable to:</b>			
Equity holders of the Company		15,066	14,134
Non-controlling interests		146	152
		<b>15,212</b>	<b>14,286</b>
<b>Earnings per share attributable to equity holders of the Company</b>			
Basic and diluted (RMB cents)	6	<b>3.16</b>	<b>3.86</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		As at <b>30 June</b> <b>2022</b>	As at 31 December 2021
	<i>Notes</i>	<b>RMB'000</b> <b>(Unaudited)</b>	<b>RMB'000</b> <b>(Audited)</b>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>149,545</b>	92,360
Investment property		<b>41,112</b>	40,952
Land lease prepayment		<b>5,350</b>	5,518
Intangible assets		<b>65,085</b>	61,341
Prepayment of acquisition for property, plant and equipment and intangible assets		<b>28,386</b>	35,784
Deposit		<b>2,100</b>	2,100
Deferred tax assets		<b>849</b>	720
		<b>292,427</b>	238,775
<b>Current assets</b>			
Inventories		<b>21,580</b>	11,903
Trade and other receivables	8	<b>135,943</b>	153,477
Cash and cash equivalent		<b>116,620</b>	12,609
		<b>274,143</b>	177,989
<b>Current liabilities</b>			
Contract liabilities		<b>2,399</b>	512
Trade and other payables	9	<b>44,777</b>	58,793
Lease liabilities		<b>541</b>	1,338
Amount due to a related party		<b>—</b>	20
Discounted bills financing		<b>230</b>	3,821
Bank borrowings		<b>30,200</b>	105,000
Other borrowings		<b>21,579</b>	8,326
Income tax payable		<b>8,673</b>	7,483
		<b>108,399</b>	185,293

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	<b>As at 31 December 2021 RMB'000 (Audited)</b>
<b>Net current assets/(liabilities)</b>	<u>165,744</u>	<u>(7,304)</u>
<b>Total assets less current liabilities</b>	<u>458,171</u>	<u>231,471</u>
<b>Non-current liabilities</b>		
Bank borrowings	84,700	—
Other borrowings	35,535	14,208
Deferred tax liabilities	<u>2,370</u>	<u>2,281</u>
	<u>122,605</u>	<u>16,489</u>
<b>Net assets</b>	<u><u>335,566</u></u>	<u><u>214,982</u></u>
<b>CAPITAL AND RESERVES</b>		
Share capital	3,949	1
Reserves	<u>329,038</u>	<u>212,548</u>
Equity attributable to equity holders of the Company	<u>332,987</u>	<u>212,549</u>
Non-controlling interests	<u>2,579</u>	<u>2,433</u>
<b>Total equity</b>	<u><u>335,566</u></u>	<u><u>214,982</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

Vanov Holdings Company Limited (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.

The Company’s immediate holding company is Perfect Angle Limited, a company incorporated in the British Virgin Islands. The Company’s ultimate controlling parties are Ms. Shen Genlian (“**Ms. Shen**”) and Mr. Zhou Jun, the Spouse of Ms. Shen.

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 condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

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

## 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The resulting accounting estimates will, by definition, seldom equal the related actual results.

In preparing the condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2021.

## 3. ADOPTION OF NEW OR AMENDED HKFRSs

The condensed consolidated interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with the accounting policies adopted in the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following amended Hong Kong Financial Reporting Standards ("HKFRSs") which are effective as of 1 January 2022.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

The adoption of these amended HKFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

#### 4. 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 period is as follows:

Recognised at a point in time:

	Six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Audited)
Packaging papermaking felts	55,255	52,661
Specialty papermaking felts	11,910	12,709
Printing papermaking felts	4,818	4,958
Household papermaking felts	1,929	4,364
Pulp papermaking felts	3,460	1,823
	<u>77,372</u>	<u>76,515</u>

#### 5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Audited)
<b>Current tax</b>		
PRC enterprise income tax	2,455	2,221
Over-provision in prior year	—	(40)
	<u>2,455</u>	<u>2,181</u>
<b>Deferred tax</b>		
Current year	(40)	(10)
	<u>2,415</u>	<u>2,171</u>

## 6. EARNINGS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Audited)
<b>Earnings</b>		
Profit for the period attributable to equity holders of the Company ( <i>in RMB'000</i> )	<u>15,066</u>	<u>14,134</u>
Number of ordinary shares for the purpose of calculating basic earnings per share	<b>476,409,979</b>	365,800,000
Earnings per share ( <i>RMB cents</i> )	<u><b>3.16</b></u>	<u>3.86</u>

As at 30 June 2022, the total shares of the Company in issue were 483,442,000 ordinary shares. The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that (i) 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 2021; and (ii) 110,621,979 ordinary shares, representing the weighted average of 117,642,000 new ordinary shares issued pursuant to the initial public offering of shares of the Company during the six months ended 30 June 2022.

As at 30 June 2021, 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 had been effective on 1 January 2021.

Diluted earnings per share is the same as basic earnings per share for the six months ended 30 June 2022 and 2021 as there were no dilutive potential ordinary shares in issue during the periods.

## 7. DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2022 (2021: nil).

## 8. TRADE AND OTHER RECEIVABLES

	As at <b>30 June</b> <b>2022</b> <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Trade receivables		
— Third parties	126,551	135,298
— Related parties	1,177	710
Bills receivables	8,805	15,553
Less: Loss allowance provision	(4,772)	(3,639)
	<u>131,761</u>	<u>147,922</u>
Prepayments	2,346	844
Prepaid listing expenses	—	3,805
Other receivables	1,836	906
	<u>4,182</u>	<u>5,555</u>
	<u><b>135,943</b></u>	<u><b>153,477</b></u>

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

	As at <b>30 June</b> <b>2022</b> <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
0–90 days	54,389	92,081
91–180 days	14,722	25,505
181–365 days	51,906	11,724
Over 365 days	6,711	6,698
	<u>127,728</u>	<u>136,008</u>



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

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	As at 31 December 2021 RMB'000 (Audited)
0–90 days	5,051	10,184
91–180 days	3,354	4,839
181–365 days	400	530
	<u>8,805</u>	<u>15,553</u>

## 9. TRADE AND OTHER PAYABLES

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	As at 31 December 2021 RMB'000 (Audited)
<b>Trade payables</b>		
— Third parties	<u>21,048</u>	<u>25,016</u>
<b>Other payables</b>		
Other payables	6,029	4,460
Construction payables	2,192	4,547
Accrued salaries	2,463	5,411
Receipt in advance from a tenant	420	1,225
Accruals	1,750	1,334
Accrued listing expenses	1,541	5,604
Warranty provision	4,626	4,605
Other tax payables	<u>4,708</u>	<u>6,591</u>
	<u>23,729</u>	<u>33,777</u>
	<u>44,777</u>	<u>58,793</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:

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	As at 31 December 2021 RMB'000 (Audited)
0–30 days	5,252	11,289
31–60 days	8,645	6,961
61–90 days	2,122	2,585
91–180 days	2,647	1,622
181–365 days	1,384	1,049
Over 365 days	998	1,510
	<u>21,048</u>	<u>25,016</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

In 2022, the impact of COVID-19 on the global economy has not been eliminated, and the international situation is complex and volatile. Incidents of multilateral political frictions and economic sanctions are frequently seen, and the development of global economy still faces many challenges. In the first half of 2022, China's economy was under the pressure of "shrinking demand, supply shock and weakening expectations", but its GDP grew steadily, representing a year-on-year increase of 2.5%.

The PRC's papermaking industry ranked first in the world for many years in terms of production and consumption volume. The market of the PRC's papermaking industry is expanding, according to the China Papermaking Industry Annual Report 2021\* (《中國造紙工業2021年度報告》) published by China Paper Association\* (中國造紙協會) in 2022, the production volume of paper and paperboard in China in 2021 was 121.1 million tons, representing an increase of 7.5% over the previous year. Consumption volume was 126.5 million tons, representing an increase of 6.9% over the previous year.

Against the backdrop of the continuous improvement of the papermaking industry, market space for papermaking enterprises has been opened up, which also brings opportunities to the Group as a papermaking felt and service provider for papermaking enterprises. Benefiting from the Group's stable customer resources and high-quality products, the Group achieved steady growth in product sales and net profit in the first half of 2022, laying a good foundation for the Group to achieve its annual performance target.

Up to now, the Group's products have reached China and international markets, such as North America, Europe and Southeast Asia. In the first half of 2022, the Group achieved net profit (exclusive of listing expense of approximately RMB4.4 million) of approximately RMB19.6 million, representing a year-on-year increase of 33.1%, and the Group's consolidated gross profit margin increased by 0.2 percentage point to 51.3%, with a 100% production-to-sales rate.

As a national high-tech enterprise, the Group understands that continuous innovation in technology is the key to product competitiveness, and the Group always pays great attention to research and development and the improvement of core technology capabilities. The Group was recognized as a "specialized and new" enterprise in Sichuan Province and owns a provincial-level technology research and development center. Up to now, the Group owns more than registered 100 patents for inventions and utility models and has nearly 40 patents under application for registration.

Following the Company's entry into the capital market in early 2022, the injection of capital has also given new vitality to the Group's products. In terms of marketing strategies and product services, the Group has gradually transformed from a single-product supplier to a dual driver model of product and technology solutions, in order to add values to the the Group's products and create values for our customers.

With years of technology accumulation and data support in the papermaking felt industry, the Group is able to continuously create value for its customers based on the products it sells. As the Group's major customers are large domestic papermaking enterprises, the Group provided customized products to them. In order to provide more accurate and professional services to customers, the Group has developed the Huanlong Paper Machine Efficiency Operation System\* (造紙機運營效率優化服務數字平台系統). Such system focuses on operation efficiency of paper machines as the starting point, providing professional customized papermaking felts to enhance pressing and dewatering effect and improve the dryness of the press paper sheets output area. Then, the Group analyses and optimises the paper machine operation efficiency to maintain the stable operation of papermaking machines, improve their speed and reduce steam consumption, with a view to achieving the objectives of production stabilization, consumption reduction and efficiency enhancement. At the same time, the system also provides a convenient channel for customers to understand the design and development, production, operation and improvement data of their orders and to provide their feedbacks, etc. In addition to improving efficiency, the corresponding data will also be devoted to the Group's technical improvement and product upgrades, which is of positive significance to enhance the Group's core competitiveness and increase customers' loyalty.

As a manufacturing company, despite the various challenges faced under the pandemic, the Group had been striving for the goal of making commitments to customers. During the more than 70 days' lockdown of the production base in Shanghai, the Group was able to guarantee the safe and steady commencement of production with efficient coordination and management and ensure the health and safety of the employees in the factory with comprehensive and meticulous post-production support and food, clothing, housing and transportation provided in an orderly manner. As such, the Group had been able to overcome the inconvenience of the objective conditions and take full advantage of its ability to guarantee the delivery of products as ordered. The Group successfully achieved its objectives of product delivery for the first half of the year and had been highly recognized by customers. At the same time, in the face of the pressure imposed by the pandemic, the Group also donated medical face masks, disinfectant alcohol, protective coveralls and other pandemic prevention supplies and daily commodities to the local administrative authorities where its factories were located, in order to fulfill its corporate responsibility and contribute to the fight against the pandemic.

Looking forward, the Group will continue to implement the measures to boost the business development as disclosed in the Prospectus including: (i) the execution of the three phases from 2021 to 2024 production capacity expansion plan in order to satisfy the increasing demand in its high-speed papermaking felts; (ii) the upgrade of 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; (iii) pursue of 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.

## **Financial Review**

### ***Revenue***

The Group principally engages in the design, manufacture and sales of papermaking felts under the brands of **VANOV** and **Gobear**. The Group's revenue for the six months ended 30 June 2022 was approximately RMB77.4 million, representing an increase of 1.1% as compared to approximately RMB76.5 million for the six months ended 30 June 2021, which was mainly attributable to the increase in unit price of products sold.

### ***Gross Profit and Gross Profit Margin***

The Group's gross profit for the six months ended 30 June 2022 was approximately RMB39.7 million, representing an increase of approximately RMB0.6 million as compared to approximately RMB39.1 million for the six months ended 30 June 2021. Its gross profit margin increased from approximately 51.1% for the six months ended 30 June 2021 to approximately 51.3% for the six months ended 30 June 2022, which was mainly attributable to the increase in unit price of products sold.

### ***Other Income***

Other income for the Group increased by approximately RMB7.7 million from approximately RMB1.3 million for the six months ended 30 June 2021 to approximately RMB9.0 million for the six months ended 30 June 2022, which was mainly attributable to the increase in foreign exchange gain, government subsidies and rental income.

### ***Selling and Distribution Expenses***

For the six months ended 30 June 2022, selling and distribution expenses of the Group was approximately RMB7.5 million, as compared to approximately RMB7.1 million for the six months ended 30 June 2021. Selling and distribution expenses for the six months ended 30 June 2022 accounted for approximately 9.7% of revenue, representing an increase of approximately RMB0.4 million as compared with the six months ended 30 June 2021. The increase was generally in line with the increase in revenue.

### ***Administrative and Other Operating Expenses***

For the six months ended 30 June 2022, administrative and other operating expenses of the Group was approximately RMB18.6 million, as compared to approximately RMB13.0 million for the six months ended 30 June 2021. Such increase was mainly attributable to the expenses incurred in connection with the initial public offering of the Company.

### ***Finance Costs***

For the six months ended 30 June 2022, total finance costs of the Group reached approximately RMB5.0 million, representing an increase of approximately RMB1.2 million as compared to approximately RMB3.8 million for the six months ended 30 June 2021. Such increase was mainly attributable to the increase of loan interests in other borrowings.

### ***Income Tax Expense***

Income tax expense of the Group for the six months ended 30 June 2022 reached approximately RMB2.4 million, representing an increase of approximately RMB0.2 million from approximately RMB2.2 million for the six months ended 30 June 2021. Such increase 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 six months ended 30 June 2022 was approximately 13.7%, as compared to 13.2% for the six months ended 30 June 2021. Such increase was mainly attributable to the increase in non-deductible tax expenses in connection with the initial public offering of the Company.

### ***Turnover Days of Inventories and Trade Payables***

Turnover days for inventories of our Group for the six months ended 30 June 2022 were 80.4 days, as compared to 52.1 days for the six months ended 30 June 2021.

Turnover days for trade payables of our Group for the six months ended 30 June 2022 were 110.6 days, as compared to 86.5 days for the six months ended 30 June 2021.

## *Interim Dividend*

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

## *Liquidity, Financial Resources and Capital Structure*

As at 30 June 2022, net assets of the Group reached approximately RMB335.6 million (31 December 2021: approximately RMB215.0 million). As at 30 June 2022, current assets and current liabilities of the Group reached approximately RMB274.1 million (31 December 2021: approximately RMB178.0 million) and approximately RMB108.4 million (31 December 2021: approximately RMB185.3 million). As at 30 June 2022, the current ratio of the Group was 252.9%, as compared to 96.1% as at 31 December 2021.

The Group normally finances its operations from cash generated from its operating activities, bank borrowings and net proceeds from the share offer. As at 30 June 2022, outstanding bank borrowings and other borrowings of the Group was approximately RMB172.0 million (31 December 2021: approximately RMB127.5 million). These bank borrowings and other borrowings were generally secured by the Group's property, plant and equipment and land lease payment. As at 30 June 2022, bank balances and cash of the Group reached approximately RMB116.6 million (31 December 2021: approximately RMB12.6 million). Net gearing ratio (total borrowings minus cash and cash equivalents and divided by shareholders' equity) of the Group as of 30 June 2022 was 16.7% (31 December 2021: 55.9%).

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

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.

### ***Gearing Ratio***

Gearing ratio is calculated by dividing total borrowings by total equity at the period-end date and expressed as a percentage. The gearing ratio of the Group as at 30 June 2022 was approximately 51.5% as compared to 61.7% as at 31 December 2021. The decrease in gearing ratio was mainly due to the increase in total equity of the Group as at 30 June 2022.

### ***Pledge of Assets***

As at 30 June 2022, certain of the Group's assets were pledged to secure bank and other borrowings of the Group. The aggregate carrying amount of the assets of the Group pledged at 30 June 2022 was approximately RMB128.9 million.

### ***Treasury Policy***

The Group has adopted a prudent financial management approach towards its treasury policy and thus maintained a healthy financial position throughout the period. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements at all times.

### ***Foreign Exchange Risk***

The Group mainly operates in the PRC. Most of the operating transactions and revenue were settled in RMB and the Group's assets and liabilities are primarily denominated in RMB. However, the Group has certain bank balances and other payables denominated in Hong Kong dollars amounting to approximately RMB105.0 million and RMB2.4 million, respectively, as at 30 June 2022 which expose the Group to foreign currency risk. The Group does not have a foreign currency hedging policy. However, the Group manages the risk by closely monitoring the movements of the foreign currency rate and would consider hedging against significant foreign currency exposure should it be necessary.

### ***Contingent Liabilities***

As at 30 June 2022, the Group did not have any material contingent liabilities.



### ***Significant Investments Held, Material Acquisition and Disposal 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 30 June 2022.

### ***Trade and Other Receivables***

For the six months ended 30 June 2022, the Group's trade and other receivables were approximately RMB135.9 million.

### ***Employees and Remuneration Policy***

As at 30 June 2022, the Group had 315 employees (six months ended 30 June 2021: 314 employees). For the six months ended 30 June 2022, the total staff cost, including salaries, wages and other benefits, and contributions to defined contribution plans, amounted to approximately RMB16.9 million.

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. 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.

### *Use of Net Proceeds From the Share Offer*

On 29 December 2021, the Company offered 114,200,000 ordinary shares (the “**Shares**”) at the range of HK\$1.22 per Share to HK\$1.44 per Share for subscription. The Offer Price was determined at HK\$1.22 and the Shares of the Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 11 January 2022 (the “**Listing**”). Net proceeds (after deduction of underwriting fees and commissions and other listing expense) were approximately HK\$92.8 million. In addition, the Over-allotment Option (as defined in the prospectus of the Company for the purpose of the Listing dated 29 December 2021 (the “**Prospectus**”)) was partially exercised and the Company further issued 3,442,000 Shares, representing approximately 3.0% of the number of 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.

An analysis of the utilisation of the net proceeds from the date of the Listing up to 30 June 2022 is set out below:

	Percentage	Allocated use of proceeds (HK\$ million)	Used as of 30 June 2022 (HK\$ million)	Unused balance as of 30 June 2022 (HK\$ million)	Proposed timetable for the use of unutilised net proceeds
Purchase machinery to upgrade production sites	40%	38.8	38.8	—	N/A
Strengthen research and development capabilities	20%	19.4	5	14.4	On or before 31 December 2023
Pursue strategic acquisitions	10%	9.7	—	9.7	On or before 31 December 2023
Reduce indebtedness	20%	19.4	—	19.4	On or before 31 December 2023
Working capital and other general corporate purpose	10%	9.7	9.7	—	N/A
	<u>100%</u>	<u>97.0</u>	<u>53.5</u>	<u>43.5</u>	

As at 30 June 2022, the amount of unutilised net proceeds amounted to approximately HK\$43.5 million. The unutilised net proceeds were placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong and the PRC.

Up to 30 June 2022, the utilised net proceeds were applied in accordance with the planned use as previously disclosed in the Prospectus and the remaining net proceeds are expected to be used as planned. The remaining unutilised net proceeds are expected to be utilised on or before 31 December 2023.

## **OTHER INFORMATION**

### **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company adopted the Model Code as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of conduct regarding the Directors’ securities transactions. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code for the six months ended 30 June 2022.

### **SHARE OPTION SCHEME**

The Company adopted a share option scheme (the “**Share Option Scheme**”) on 9 December 2021. Details of the Share Option Scheme are set out in the published annual report of the Company for the year ended 31 December 2021 and the section headed “Appendix V — Statutory and General Information — D. Share Option Scheme” in the Prospectus. The purpose of the Share Option Scheme is used as an incentive to the directors, employees (full-time or part-time), consultants, advisers, substantial shareholders, distributors, contractors, suppliers, agents, customers, business partners or service providers of any member of the Group. No share option has been granted, exercised, cancelled or lapsed since its adoption on 9 December 2021 up to 30 June 2022, and there was no outstanding share option as at 30 June 2022.

### **EVENTS AFTER THE REPORTING PERIOD**

Save as disclosed in this report, there is no material subsequent event undertaken by the Group after 30 June 2022 and up to the date of this announcement.

### **CORPORATE GOVERNANCE**

During the six months ended 30 June 2022, the Company has applied the principles and complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

## **PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY**

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 June 2022.

## **ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES**

Save for the Share Option Scheme, at no time during the six months ended 30 June 2022 was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debts securities (including debentures) of, the Company or any other body corporate.

## **AUDIT COMMITTEE**

The audit committee of the Company (the "Audit Committee") has reviewed the Group's unaudited interim results for the six months ended 30 June 2022 and discussed with the management of the Company on the accounting principles and practices adopted by the Group. The Audit Committee was of the view that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

## **SUFFICIENCY OF PUBLIC FLOAT**

According to the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the six month ended 30 June 2022.

## **CHANGES IN DIRECTORS' AND CHIEF EXECUTIVE'S INFORMATION**

There are no changes in the directors' information required to be disclosed pursuant to 13.51(2) paragraphs (a) to (e) and paragraph (g) of the Listing Rules from the date of last annual report to the date of this announcement.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.vanov.cn](http://www.vanov.cn). The interim report of the Company for the six months ended 30 June 2022 containing all the information required by the Listing Rules will be dispatched to its shareholders and published on the above websites in due course.

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

Hong Kong, 25 August 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*