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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 2022**

FINANCIAL HIGHLIGHTS			
	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000	Year-on-year change %
Revenue	217,756	213,668	1.9
Gross profit	116,817	113,622	2.8
Profit before income tax	64,442	59,460	8.4
Profit and total comprehensive income attributable to equity holders of the Company	52,437	50,136	4.6
	2022 RMB cents	2021 RMB cents	
Earnings per share attributable to equity holders of the Company			
Basic and diluted	10.93	13.71	-20.3

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 2022 with comparative figures for the previous year of 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue	3	217,756	213,668
Cost of sales		<u>(100,939)</u>	<u>(100,046)</u>
Gross profit		116,817	113,622
Other income		20,102	5,509
Fair value loss on financial assets at fair value through profit or loss		(1)	—
Selling and distribution expenses		(21,595)	(19,855)
Administrative and other operating expenses		(40,345)	(31,587)
Finance costs		<u>(10,536)</u>	<u>(8,229)</u>
Profit before income tax		64,442	59,460
Income tax expense	4	<u>(11,442)</u>	<u>(8,770)</u>
Profit and total comprehensive income for the year		<u>53,000</u>	<u>50,690</u>
Profit and total comprehensive income attributable to:			
Equity holders of the Company		52,437	50,136
Non-controlling interests		<u>563</u>	<u>554</u>
		<u>53,000</u>	<u>50,690</u>
		2022 <i>RMB cents</i>	2021 <i>RMB cents</i>
Earnings per share attributable to equity holders of the Company			
Basic and diluted	5	<u>10.93</u>	<u>13.71</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		176,718	92,360
Investment property		40,296	40,952
Land lease prepayment		5,180	5,518
Intangible assets		69,019	61,341
Prepayment of acquisition for property, plant and equipment and intangible assets		88,137	35,784
Deposit		2,100	2,100
Deferred tax assets		760	720
		382,210	238,775
Current assets			
Inventories		17,333	11,903
Trade and other receivables	7	181,543	153,477
Financial assets at fair value through profit or loss		984	—
Cash and cash equivalent		85,618	12,609
		285,478	177,989
Current liabilities			
Contract liabilities		486	512
Trade and other payables	8	48,534	58,793
Lease liabilities		3,460	1,338
Amount due to a related party		—	20
Discounted bills financing		—	3,821
Bank borrowings		57,500	105,000
Other borrowings		24,381	8,326
Income tax payable		14,557	7,483
		148,918	185,293

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Net current assets/(liabilities)	<u>136,560</u>	<u>(7,304)</u>
Total assets less current liabilities	<u>518,770</u>	<u>231,471</u>
Non-current liabilities		
Lease liabilities	6,673	—
Other borrowings	29,122	14,208
Bank borrowings	104,500	—
Deferred tax liabilities	<u>5,121</u>	<u>2,281</u>
	<u>145,416</u>	<u>16,489</u>
Net assets	<u><u>373,354</u></u>	<u><u>214,982</u></u>
CAPITAL AND RESERVES		
Share capital	3,949	1
Reserves	<u>366,409</u>	<u>212,548</u>
Equity attributable to equity holders of the Company	<u>370,358</u>	<u>212,549</u>
Non-controlling interests	<u>2,996</u>	<u>2,433</u>
Total equity	<u><u>373,354</u></u>	<u><u>214,982</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 (“**China**” or the “**PRC**”).

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

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**”).

The consolidated financial statements is presented in Renminbi (“**RMB**”), which is also the functional currency of the Company and its subsidiaries.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term includes all applicable individual HKFRSs, 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 include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

Amended HKFRSs that are effective for annual periods beginning on 1 January 2022

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 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 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.

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:

Recognised at a point in time:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Packaging papermaking felts	151,700	147,437
Specialty papermaking felts	26,934	39,047
Printing papermaking felts	14,244	11,440
Household papermaking felts	12,591	10,955
Pulp papermaking felts	12,287	4,789
	<u>217,756</u>	<u>213,668</u>

4. INCOME TAX EXPENSE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax		
PRC EIT	8,642	7,067
Over-provision in prior year	—	(130)
	<u>8,642</u>	<u>6,937</u>
Deferred tax		
Current year	2,800	1,833
	<u>2,800</u>	<u>1,833</u>
Income tax expense	<u>11,442</u>	<u>8,770</u>

5. EARNINGS PER SHARE

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

	2022	2021
Earnings		
Profit for the year attributable to equity holders of the Company (<i>in RMB'000</i>)	52,437	50,136
Number of ordinary shares for the purpose of calculating basic earnings per share	479,632,581	365,800,000
Earnings per share (<i>in RMB cents</i>)	<u>10.93</u>	<u>13.71</u>

As at 31 December 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 (as defined in the prospectus of the Company for the purpose of the Listing dated 29 December 2021 (the “**Prospectus**”)) and the Capitalisation Issue (as defined in the Prospectus) 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 Shareholder passed on 9 December 2021 and 22 December 2021” in Appendix V in the Prospectus had been effective on 1 January 2021; and (ii) 113,832,581 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 year ended 31 December 2022.

As at 31 December 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 years ended 31 December 2022 and 2021 as there were no dilutive potential ordinary shares in issue during the years.

6. DIVIDEND

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of 4 HK cents (2021: nil) per ordinary share, in an aggregate amount of approximately HK\$19,338,000 (2021: nil), has been proposed by the Board and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

7. TRADE AND OTHER RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables		
— Third parties	152,282	135,298
— Related parties	3,372	710
Bills receivables	19,907	15,553
Less: ECL allowance provision	(4,312)	(3,639)
	171,249	147,922
Prepayments	1,379	844
Prepaid listing expenses	—	3,805
Refundable deposits	8,140	—
Other receivables	775	906
	10,294	5,555
	181,543	153,477

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0 – 90 days	94,527	92,081
91 – 180 days	20,204	25,505
181 – 365 days	22,543	11,724
Over 365 days	18,380	6,698
	<u>155,654</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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0 – 90 days	12,146	10,184
91 – 180 days	7,301	4,839
181 – 365 days	460	530
	<u>19,907</u>	<u>15,553</u>

8. TRADE AND OTHER PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables		
— Third parties	20,768	25,016
Other payables		
Other payables	3,585	4,460
Construction payables	905	4,547
Accrued salaries	5,824	5,411
Receipt in advance from a tenant	700	1,225
Accruals	3,334	1,334
Accrued listing expenses	—	5,604
Warranty provision	4,699	4,605
Other tax payables	8,719	6,591
	<u>27,766</u>	<u>33,777</u>
	<u>48,534</u>	<u>58,793</u>

The Group is granted by its suppliers a credit periods of 30 to 90 days (2021: 30 to 90 days). Based on the invoice dates, the ageing analysis of the trade payables is as follows:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 30 days	9,285	11,289
31 – 60 days	4,450	6,961
61 – 90 days	2,804	2,585
91 – 180 days	2,919	1,622
181 – 365 days	901	1,049
Over 365 days	409	1,510
	<hr/> 20,768 <hr/>	<hr/> 25,016 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2022, given the intensified downward pressure on the global economy brought by high inflation, the Russia-Ukraine war and the pandemic, the global demand shrank with the complex and rigorous international environment. Interruption of the global supply chain brought by geopolitical conflict further compromised the globalization process and created a negative impact on the global economy. According to the “World Economic Outlook Database” published by the International Monetary Fund (IMF), global economy growth in 2022 was expected to be 4.4%, representing a 0.5 percentage point lower than the preceding forecast.

During the reporting period, China’s total economic output reached another record high, with a gross domestic product (GDP) of RMB121 trillion, representing another great leap after the record of RMB110 trillion in 2021. Based on the annual average exchange rate, the PRC achieved a 3.0% growth despite of the economy pressure during the year, ranking second in the world. As the PRC economy continued to grow and household income improved, development of the papermaking industry had been broadened, the capability and demand of paper products in the PRC had also been increased. The PRC has been the most important papermaking and consumption country for many years. As the prospect of the papermaking industry continued to improve, Vanov, as a papermaking felt corporation and service provider, benefited from the growing market opportunities.

Although the pandemic brought numerous challenges to the market in 2022, the Group experienced stable growth in product sales and net profit in 2022, which was attributable to the Group’s effective market strategy, stable customer resources and high-quality products. In 2022, net profit of the Group amounted to RMB53 million, representing a year-on-year growth of 4.6%. The Group’s consolidated gross profit margin from the products reached 53.6%, with a 100% production-to-sales rate. The prospective international market layout was gradually showing its results, income from the international business in 2022 demonstrated a year-on-year growth of 51.5%.

The Group currently has two production sites, namely Chengdu Wenjiang and Shanghai Jinxiong, as well as two renowned papermaking felt brands of **VANOV** and **Gobear**. Technology innovation has always been the core motivation of the Group’s sustainability. During the reporting period, Sichuan Huanlong Technology Fabric Co., Ltd. (四川環龍技術織物有限公司), a subsidiary of the Company was recognized as a national High and New Tech Enterprises, “specialized and new” enterprise in Sichuan Province, model manufacturing and service enterprise in Sichuan Province, green factory in Sichuan Province. The Company’s subsidiary, Shanghai Jinxiong Paper Making Net Carpet Co., Ltd. (上海金熊造紙網毯有限公司) was recognized as “specialized and new” enterprise in Shanghai. As of today, the Group owns over 100 registered patents for inventions and utility models and has more than 60 patents under application for registration.

The Group strives to become the best papermaking felt manufacturer in the world. Our technologies, products and services altogether became the key to our distinctive competency. Enhancing product value is the crux of competitiveness among the world and create value for our customers.

The Company's self-developed Paper Machine Efficiency Operation System materialized the comprehensive papermaking felt pre-sales, sales and after-sales services. We promptly react to customers' need and provide them with a solution based on professional technological and digital services. The system not only optimizes the tracking of paper machine efficiency and provision of resolutions, it also ensures the best operating parameters of the machines. The system provides overall efficiency enhancement and training sessions for our customers while provides supporting data for our product design and solution enhancement in order to achieve continuous improvement on product quality.

During the reporting period, Shanghai Jinxiong production site of the Group has fully commenced the PM3 project. The project is to establish an industrial filter materials production site which possesses the most advanced papermaking net carpet technology in the PRC. As of today, the Group is the first enterprise in the PRC which owns an advanced production line for the widest papermaking felt around the world. The Company not only fills the gap in the PRC market, it also highly boosts the quality and stability of the products through its advanced production craftsmanship, technologies and reliable equipment. The Group contributes significant value to the papermaking industry by ways of craftsmanship enhancement, technology innovation and product upgrade.

Year 2022 is an extraordinary year for all production and manufacturing corporations, the Group still adhered to its philosophy of delivering on its commitments to customers. During the reporting period, the Group had conducted static management on the Chengdu Wenjiang production site and the Shanghai Jinxiong production site for over 70 days and 9 days, respectively. Closed loop management was effectively performed in the two production sites in addition to our precise and thorough arrangement. Our arrangement was approved by the local government, central management was materialized and protective measures were in place, we had successfully produced and delivered the products as promised, fully demonstrating the dedication and passion of Vanov, and our determination and confidence in meeting customer needs.

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.

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·品质. The revenue for the year ended 31 December 2022 was approximately RMB217.8 million, representing an increase of 1.9% as compared to approximately RMB213.7 million for the year ended 31 December 2021, which was mainly attributable to the increase in the unit price of our products.

Gross Profit and Gross Profit Margin

The Group's gross profit for the year ended 31 December 2022 was approximately RMB116.8 million, representing an increase of approximately RMB3.2 million from approximately RMB113.6 million for the year ended 31 December 2021. Its gross profit margin increased from approximately 53.2% for the year ended 31 December 2021 to approximately 53.6% for the year ended 31 December 2022, which was mainly attributable to the increase in the unit price of our products.

Other Income

Other income for the Group increased by approximately RMB14.6 million from approximately RMB5.5 million for the year ended 31 December 2021 to approximately RMB20.1 million for the year ended 31 December 2022, which was mainly attributable to the increase in exchange gains, government subsidies and rental income.

Selling and Distribution Expense

For the year ended 31 December 2022, selling and distribution expense of the Group was approximately RMB21.6 million, as compared to approximately RMB19.9 million for the year ended 31 December 2021. Selling and distribution expense for the year ended 31 December 2022 accounted for approximately 9.9% of its revenue, representing an increase of approximately RMB1.7 million from the year ended 31 December 2021. Such increase was generally in line with the increase in revenue.

Administrative and Other Operating Expenses

For the year ended 31 December 2022, administrative and other operating expenses of the Group was approximately RMB40.3 million, as compared to approximately RMB31.6 million for the year ended 31 December 2021. Such increase was mainly due to the corresponding expenses incurred in connection with the initial public offering of the Company and the increase in employee remuneration.

Finance Cost

For the year ended 31 December 2022, total finance cost of the Group reached approximately RMB10.5 million, representing an increase of approximately RMB2.3 million as compared to approximately RMB8.2 million for the year ended 31 December 2021. 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 2022 reached approximately RMB11.4 million, representing an increase of approximately RMB2.6 million from approximately RMB8.8 million for the year ended 31 December 2021, which was mainly attributable to the increase in the Group's profit before tax and the increase in withholding tax on undistributed profit.

Effective tax rate (income tax expense divided by profit before income tax for the current year) for the year ended 31 December 2022 was approximately 17.8%, as compared to 14.7% for the year ended 31 December 2021. Such increase was mainly attributable to the increase in the Group's withholding tax on undistributed profit.

Turnover Days of Inventories and Trade Payables

Turnover days of inventories of the Group for the year ended 31 December 2022 were 52.9 days, as compared to 40 days for the year ended 31 December 2021.

Turnover days for trade payables of the Group for the year ended 31 December 2022 were 82.8 days, as compared to 80.4 days for the year ended 31 December 2021.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2022, net assets of the Group reached approximately RMB373.4 million (31 December 2021: approximately RMB215.0 million). As at 31 December 2022, current assets and current liabilities of the Group reached approximately RMB285.5 million (31 December 2021: approximately RMB178.0 million) and approximately RMB148.9 million (31 December 2021: approximately RMB185.3 million). As at 31 December 2022, the current ratio of the Group was 191.7%, 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 proceeds from share offering. As at 31 December 2022, outstanding bank borrowings and other borrowings of the Group was approximately RMB215.5 million (31 December 2021: approximately RMB127.5 million). These bank borrowings and other borrowings were generally secured by its property, plant and equipment and land lease prepayment. As at 31 December 2022, bank balances and cash of the Group reached approximately RMB85.6 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 31 December 2022 was 35.1% (31 December 2021: 55.9%).

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, interest rate risk and other price 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 31 December 2022 was approximately 60.4% as compared to approximately 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 31 December 2022.

Pledge of Assets

As at 31 December 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 31 December 2022 was approximately RMB134.1 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 trade receivables denominated in US dollars and Hong Kong dollars amounting to approximately RMB74.1 million and RMB2.4 million, respectively, as at 31 December 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 31 December 2022, the Group did not have any material contingent liabilities.

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 2022.

Trade and Other Receivable

For the year ended 31 December 2022, the trade and other receivable of the Group were approximately RMB181.5 million.

Employee and Remuneration Policy

As at 31 December 2022, the Group had 327 employees (as at 31 December 2021: 309 employees). As at 31 December 2022, the total staff cost, including salaries, wages and other benefits, and contributions to defined contribution plans, amounted to approximately RMB37.8 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 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 on 11 January 2022. Net proceeds from the Listing (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) 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 31 December 2022 is set out below:

	Percentage	Allocated use of proceeds (HK\$ million)	Used as of 31 December 2022 (HK\$ million)	Unused balance as of 31 December 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	7.2	12.2	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>75.1</u>	<u>21.9</u>	

As at 31 December 2022, the amount of unutilised net proceeds amounted to approximately HK\$21.9 million. The unutilised net proceeds were placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong and the PRC.

As of 31 December 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 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 year ended 31 December 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 31 December 2022, and there was no outstanding share option as at 31 December 2022.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this annual results announcement, there is no material subsequent event undertaken by the Group after 31 December 2022 and up to the date of this announcement.

CORPORATE GOVERNANCE

During the year ended 31 December 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

As of 31 December 2022, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save for the Share Option Scheme, as of 31 December 2022, none of the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries, was 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.

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 2022 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 (the "AGM") will be held on 29 June 2023.

DIVIDEND

The Board recommended the payment of a final dividend of 4 HK cents per share of the Company for the year ended 31 December 2022 (2021: nil) to the shareholders of the Company whose names shall be on the register of members of the Company on Friday, 7 July 2023, amounting to approximately HK\$19,338,000. Subject to the approval by the shareholders of the Company in the AGM, the final dividend will be dispatched to Shareholders on or before 30 August 2023.

CLOSURE OF REGISTER OF MEMBERS

FOR DETERMINING THE ELIGIBILITY TO ATTEND AND VOTE AT THE 2023 AGM

The register of members of the Company will be closed from Monday, 26 June 2023 to Thursday, 29 June 2023 (both days inclusive) for the purpose of determining the entitlement of attending and voting at the AGM to be held on Thursday, 29 June 2023. The record date will be Thursday, 29 June 2023. 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 Friday, 23 June 2023.

ENTITLEMENT TO THE PROPOSED FINAL DIVIDEND

The register of members of the Company will be closed from Wednesday, 5 July 2023 to Friday, 7 July 2023 (both days inclusive) for the purpose of determining the entitlement of receiving the final dividend for the year ended 31 December 2022. The record date will be Friday, 7 July 2023. In order to qualify for receiving the final dividend, 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 Tuesday, 4 July 2023.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) has reviewed the Group's consolidated financial statements for the year ended 31 December 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, as of 31 December 2022, the Company has maintained a sufficient public float as required under the Listing Rules.

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 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, 30 March 2023

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*