

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Vanov Holdings Company Limited

環龍控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2260)

PAST CONTINUING CONNECTED TRANSACTIONS

Reference is made to the section headed “Connected Transactions” of the Prospectus in relation to (i) Huanlong New Material Master Supply Agreement, pursuant to which, Sichuan Huanlong agreed to sell papermaking felts to Huanlong New Material on a non-exclusive basis for a term commencing from the Listing Date and ending on 31 December 2023; and (ii) Huanlong Daily Products Master Supply Agreement, pursuant to which, Sichuan Huanlong agreed to sell papermaking felts to Huanlong Daily Products on a non-exclusive basis for a term commencing from the Listing Date and ending on 31 December 2023.

As disclosed in the Prospectus, based on the historical sales amounts and expected demand from Huanlong New Materials and Huanlong Daily Products, the estimated aggregate sales under Huanlong New Material Master Supply Agreement and Huanlong Daily Products Master Supply Agreement (together, the Master Supply Agreements) for each of the three years ending 31 December 2023 would be less than HK\$3.0 million per year. Due to the increasing demand of the papermaking felts by Huanlong New Material after the expansion of its production site and the commencement of operation of its new papermaking machines in 2022, Huanlong New Material and Huanlong Daily Products increased its purchases of papermaking felts from the Group and exceeded the de minimis threshold unintentionally. During the course of preparing the annual report of the Group for the year ended 31 December 2022, it came to the attention of the Company that the aggregate sales under the Master Supply Agreements exceeded HK\$3.0 million and amounted to approximately HK\$4.5 million for the year ended 31 December 2022.

Due to an inadvertent oversight by the Company that it was not alerted when the aggregate sales exceeded HK\$3.0 million in 2022, and thereby failed to cease to supply further products to Huanlong New Materials and Huanlong Daily Products and/or make appropriate disclosure pursuant to Chapter 14A of the Listing Rules. Thus, there has been an inadvertent breach by the Company of Chapter 14A of the Listing Rules.

The Board estimates that the aggregate annual sales under the Master Supply Agreements will also be more than HK\$3.0 million for the year ending 31 December 2023. Therefore, the Board hereby announces that on 6 April 2023, the Board has proposed to set the New Annual Cap. Pursuant to Rule 14A.54 of the Listing Rules, since the Company proposes to set the New Annual Cap, the Company is required to re-comply with the relevant requirements of Chap 14A of the Listing Rules.

Huanlong Daily Products is a wholly owned subsidiary of Huanlong New Material, the transactions contemplated under the Maser Supply Agreements shall therefore be aggregated and treated as if they were one transaction under Rule 14A.81 of the Listing Rules, and the aggregate sales shall be used for calculating the applicable percentage ratios. As the highest applicable Percentage Ratio for the New Annual Cap is less than 25% and the New Annual Cap is less than HK\$10,000,000, the transactions contemplated under the Master Supply Agreements are subject to the reporting, announcement and annual review requirements, but exempted from the circular and the Independent Shareholders' approval under Rule 14A.76(2)(b) of the Listing Rules.

Since Huanlong New Material and Huanlong Daily Products are associates of Ms. Shen and Mr. Zhou, each of them is regarded as having material interest in the transactions contemplated under the Master Supply Agreements, and have abstained from voting on the relevant resolutions of the Board for approving the New Annual Cap. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Ms. Shen and Mr. Zhou, none of the Directors has any material interest in the Master Supply Agreements and none of them is required to abstain from voting on the relevant resolutions of the Board.

BACKGROUND

Reference is made to the section headed "Connected Transactions" of the Prospectus in relation to (i) Huanlong New Material Master Supply Agreement, pursuant to which, Sichuan Huanlong agreed to sell papermaking felts to Huanlong New Material on a non-exclusive basis for a term commencing from the Listing Date and ending on 31 December 2023; and (ii) Huanlong Daily Products Master Supply Agreement, pursuant to which, Sichuan Huanlong agreed sell papermaking felts to Huanlong Daily Products on a non-exclusive basis for a term commencing from the Listing Date and ending on 31 December 2023.

As disclosed in the Prospectus, based on the historical sales amounts and expected demand from Huanlong New Materials and Huanlong Daily Products, the estimated aggregate sales under Huanlong New Material Master Supply Agreement and Huanlong Daily Products Master Supply Agreement (together, the Master Supply Agreements) for each of the three years ending 31 December 2023 would be less than HK\$3.0 million per year. Since all applicable Percentage Ratios in respect of the transactions contemplated under the Master Supply Agreements were below 5% and the aggregated sales therein were less than HK\$3,000,000 per year, the transactions contemplated under the Master Supply Agreement constituted de minimis continuing connected transactions under Rule 14A.76(1)(c) of the Listing Rules, and were exempt from reporting, annual review, announcement and Independent Shareholders' approval requirements at the time being. No annual cap was therefore set for the transactions contemplated under the Master Supply Agreements. Pursuant to the Master Supply Agreements, in the event that the total amount of the transactions contemplated under the Master Supply Agreements should exceed HK\$3,000,000 per year, the Group would forthwith cease to supply any further products to Huanlong New Material and Huanlong Daily Products.

Due to the increasing demand of the papermaking felts by Huanlong New Material after the expansion of its production site and the commencement of operation of its new papermaking machines in 2022, Huanlong New Material and Huanlong Daily Products increased its purchase of papermaking felts from the Group and exceeded the de minimis threshold unintentionally. During the course of preparing the annual report of the Group for the year ended 31 December 2022, it came to the attention of the Company that the aggregate sales under the Master Supply Agreements exceeded HK\$3.0 million and amounted to approximately HK\$4.5 million for the year ended 31 December 2022.

Due to an inadvertent oversight by the Company that it was not alerted when the aggregate sales under the Master Supply Agreements exceeded HK\$3.0 million in 2022, and thereby failed to cease to supply further products to Huanlong New Materials and Huanlong Daily Products and/or make appropriate disclosure pursuant to Chapter 14A of the Listing Rules. Thus, there has been an inadvertent breach by the Company of Chapter 14A of the Listing Rules. The omission by the Company to comply with the requirements of the Listing Rules in respect of the continuing connected transactions for the year ended 31 December 2022 was wholly unintentional. Once the existence of the non-exempt continuing connected transactions was identified, the Company has taken immediate remedial action by reporting and announcing the continuing connected transactions. The Company will adopt more stringent procedure to enhance the internal communication of the Group to prevent any future non-compliance.

The Board estimates that the aggregate annual sales under the Master Supply Agreements will also be more than HK\$3.0 million for the year ending 31 December 2023. Therefore, the Board hereby announces that on 6 April 2023, the Board has proposed to set the New Annual Cap of the Master Supply Agreements for the year ending 31 December 2023 (the **"New Annual Cap"**).

THE MASTER SUPPLY AGREEMENTS

Pursuant to Rule 14A.54 of the Listing Rules, since the Company proposes to set the New Annual Cap, the Company is required to re-comply with the relevant requirements of Chap 14A of the Listing Rules. The major terms of the Master Supply Agreements are set out below:

(a) Huanlong New Material Master Supply Agreement

Date: 9 December 2021

Parties: (i) Sichuan Huanlong
(ii) Huanlong New Material

Subject: Pursuant to the Huanlong New Material Master Supply Agreement, Sichuan Huanlong shall sell papermaking felts to Huanlong New Material on a non-exclusive basis. The selling price, payment time and method, and other specific terms or conditions (if any) shall be fixed by the relevant parties in the purchase order on a case-by-case basis.

Term: A fixed term commencing from the Listing Date and expiring on 31 December 2023

(b) Huanlong Daily Products Master Supply Agreement

Date: 9 December 2021

Parties: (i) Sichuan Huanlong
(ii) Huanlong Daily Products

Subject: Pursuant to the Huanlong Daily Products Master Supply Agreement, Sichuan Huanlong shall sell papermaking felts to Huanlong Daily Products on a non-exclusive basis. The selling price, payment time and method, and other specific terms or conditions (if any) shall be fixed by the relevant parties in the purchase order on a case-by-case basis.

Term: A fixed term commencing from the Listing Date and expiring on 31 December 2023

Pricing policy

The selling prices of the papermaking felts under the Master Supply Agreements are calculated with reference to the prevailing market prices of the same or comparable kind of papermaking felts, or the price to be agreed between the parties after having considered the market price in accordance with the Master Supply Agreements. Such market price shall be determined with reference to (i) the prevailing market price of the same or similar papermaking felts obtained from third-party suppliers in the same or neighbourhood regions based on normal commercial terms and in the ordinary and usual course of business; (ii) if (i) is not applicable, the selling prices of same or similar papermaking felts obtained from third-party suppliers in the PRC based on normal commercial terms and in the ordinary and usual course of business; or (iii) if both (i) and (ii) are not available, the selling prices of the same papermaking felts offered by the seller to its third-party customers based on normal commercial terms and in the ordinary and usual course of business.

Historical figures

The table below sets out the historical figures of the aggregated sales under the Master Supply Agreements:

	For the year ended		
	2020	2021	2022
	<i>Approximate</i>	<i>Approximate</i>	<i>Approximate</i>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Supply to Huanlong New Material	441	701	3,130
Supply to Huanlong Daily Products	<u>733</u>	<u>1,371</u>	<u>1,313</u>
Total:	<u><u>1,174</u></u>	<u><u>2,072</u></u>	<u><u>4,443</u></u>

NEW ANNUAL CAP

As disclosed in the Prospectus, no annual cap was set for the transactions contemplated under the Master Supply Agreements for each of the three years ending 31 December 2023. In view of the substantial increase in the aggregate sales volume under the Master Sales Agreements, the Board has proposed that the New Annual Cap for the year ending 31 December 2023 shall not exceed HK\$6.0 million. The New Annual Cap is determined with reference to the following factors: (i) the historical sales amount paid by Huanlong New Material and Huanlong Daily Products to the Group under the Master Supply Agreements for the year ended 31 December 2022; (ii) increasing demand of the papermaking felts by Huanlong New Material after the expansion of its production site and the commencement of operation of its new papermaking machines in 2022; (iii) the enhance of the Group's production capability of papermaking felts after the completion of the expansion of the Group's production sites.

REASONS FOR AND BENEFITS OF THE MASTER SUPPLY AGREEMENT

The papermaking felts to be supplied by the Group under the Master Supply Agreements are mainly used by Huanlong New Material and Huanlong Daily Products in their manufacturing process as a raw material for the production of various paper related products. Since supply of papermaking felts is in the ordinary and usual course of business of the Group, the transactions under the Master Supply Agreements will provide a steady income of the Group.

Taking into account that the papermaking felts supplied to Huanlong New Material and Huanlong Daily Products are under normal commercial terms and are reached after arm's length negotiations and are being carried out in the usual and ordinary course of business of each of the parties, the Board (including the independent non-executive Directors) is of the view that the terms of the Master Supply Agreements (including the New Annual Cap) are entered into on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Company and the Group

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

Sichuan Huanlong

Sichuan Huanlong is a limited company established in the PRC and an indirect non-wholly owned subsidiary of the Company. Sichuan Huanlong is carrying on business of manufacturing and sales of papermaking felts in the PRC.

Huanlong New Material

Huanlong New Material is a limited liability company established in the PRC on 14 January 2011, the equity interest of which was held as to approximately 33.44% by Huanlong Industrial Group Co., Ltd* 環龍工業集團有限公司 (which is in turn owned as to approximately 75% by Ms. Shen and 25% by Mr. Zhou), approximately 14.26% by New Stream Investment Limited (which is an Independent Third Party), approximately 12.25% by Beijing Sequoia Mingde Equity Investment Center (Limited Partnership)* (北京紅杉銘德股權投資中心(有限合夥)), an Independent Third Party, approximately 3.48% by Ms. Shen and the remaining interest of approximately 36.57% by 15 other Independent Third Parties, respectively, as at the date of this announcement. Hence Huanlong New Material is therefore an associate of Ms. Shen and Mr. Zhou, and a connected person of the Company. Huanlong New Material is principally engaged in the production of ecological bamboo paper and personal care paper products and sale of the same to retail customers.

Huanlong Daily Products

Huanlong Daily Products is a limited liability company established in the PRC on 21 April 1999 and is a wholly-owned subsidiary of Huanlong New Material. Hence, Huanlong Daily Products is also an associate of Ms. Shen and Mr. Zhou, and a connected person of the Company. Huanlong Daily Products principally engages in the research and development, the production of bamboo pulp, base paper, personal care paper products and the sale of the same to Huanlong New Material.

IMPLICATIONS UNDER THE LISTING RULES

Since Huanlong New Material and Huanlong Daily Products are both connected persons of the Company, the transactions contemplated under the Huanlong New Material Master Supply Agreement and the Huanlong Daily Products Master Supply Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Huanlong Daily Products is a wholly owned subsidiary of Huanlong New Material, they both signed the Huanlong New Material Mater Supply Agreement and the Huanlong Daily Products Mater Supply Agreement with Sichuan Huanlong for the supply of papermaking felts, the transactions contemplated under the Maser Supply Agreements shall therefore be aggregated and treated as if they were one transaction under Rule 14A.81 of the Listing Rules, and the aggregate sales shall be used for calculating the applicable percentage ratios.

As the highest applicable Percentage Ratio for the New Annual Cap is less than 25% and the New Annual Cap is less than HK\$10,000,000, the aggregate sales under the Master Supply Agreements is subject to the reporting, announcement and annual review requirements, but exempted from the circular and the Independent Shareholders' approval under Rule 14A.76(2)(b) of the Listing Rules.

Since Huanlong New Material and Huanlong Daily Products are associates of Ms. Shen and Mr. Zhou, each of them is regarded as having material interest in the transactions contemplated under the Master Supply Agreements, and have abstained from voting on the relevant resolutions of the Board for approving the New Annual Cap. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Ms. Shen and Mr. Zhou, none of the Directors has any material interest in the Master Supply Agreements and none of them is required to abstain from voting on the relevant resolutions of the Board.

REMEDIAL ACTIONS

The Company deeply regrets its non-compliance with the relevant connected transaction requirements under Chapter 14A of the Listing Rules and would like to stress that such non-compliance was inadvertent.

Hence, the Company now issues this announcement disclosing details of the transactions contemplated under the Master Supply Agreements to re-comply with the announcement requirement under the Listing Rules and set the New Annual Cap.

Furthermore, the following remedial actions will be taken by the Company to ensure the strict compliance by the Company with the Listing Rules in the future:

1. The Company will organize regular trainings to its employees, Directors and senior management to promote their familiarity with the Listing Rules, as well as raise their awareness towards compliance with the internal control procedures of continuing connected transaction of the Group;
2. The Company will closely monitor the continuing connected transactions under the Master Supply Agreements on a monthly basis;
3. The audit department of the Company will closely monitor the effectiveness and adequacy of internal control measures of the Group, and will report their review results to the Chairperson of the Board regularly; and
4. the Company will appoint Ms. Yuan Aomei, an executive Director and Ms. Liu Jinping, the deputy financial supervisor of the Company to further monitor relevant connected transactions, including its compliance with relevant Listing Rules and to review the ongoing compliance such as the annual caps and to update the list of connected persons on a regular basis.

DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Vanov Holdings Company Limited (環龍控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	director(s) of the Company
“Fame Attain”	Fame Attain Limited (譽致有限公司), a company incorporated in the BVI with limited liability on 4 July 2018 and wholly-owned by Ms. Shen
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Huanlong Daily Products”	Sichuan Huanlong Daily Products Ltd.* (四川環龍生活用品有限公司), formerly known as Anxian Paper Ltd.* (安縣紙業有限公司), a limited liability company established in the PRC on 21 April 1999 and a wholly-owned subsidiary of Huanlong New Material
“Huanlong Daily Products Master Supply Agreement”	the master supply agreement dated 9 December 2021 entered into between Sichuan Huanlong (as seller/supplier) and Huanlong Daily Products (as purchaser) in relation to the sale of papermaking felts by the Group to Huanlong Daily Products
“Huanlong New Material”	Sichuan Huanlong New Material Ltd.* (四川環龍新材料有限公司), a limited liability company established in the PRC on 14 January 2011

“Huanlong New Material Master Supply Agreement”	the master supply agreement dated 9 December 2021 entered into between Sichuan Huanlong (as seller/supplier) and Huanlong New Material (as purchaser) in relation to the sale of papermaking felts by the Group to Huanlong New Material
“Independent Shareholders”	the Shareholders other than Perfect Angle and Wonderful Advisor and their associates
“Independent Third Party(ies)”	party(ies) who is/are not connected with the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
“Listing Date”	11 January 2022, the date on which the shares of the Company were listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Supply Agreements”	Huanlong New Material Master Supply Agreement and Huanlong Daily Products Master Supply Agreement
“Mr. Zhou”	Mr. Zhou Jun (周駿先生), an executive Director, the chief executive officer of the Company and a Controlling Shareholder, and the spouse of Ms. Shen
“Ms. Shen”	Ms. Shen Genlian (沈根蓮女士), the chairperson of the Board, an executive Director and a Controlling Shareholder, and the spouse of Mr. Zhou
“Percentage Ratio(s)”	the percentage ratio(s) under Rule 14.07 of the Listing Rules, other than the equity capital ratio and profits ratio
“Perfect Angle”	Perfect Angle Limited, a company with limited liability incorporated in the British Virgin Islands on 29 October 2018 and its entire issued share capital is held by Vistra Trust as trustee for the benefit of Ms. Shen and the children of Ms. Shen under the SGL Trust
“PRC” or “China”	the People’s Republic of China
“Prospectus”	the prospectus of the Company dated 29 December 2021

“SGL Trust”	an irrevocable discretionary trust pursuant to a deed of settlement dated 24 December 2018 made between Fame Attain as the settlor on one part and Vistra Trust as the trustee on the other part
“Shareholder(s)”	the holder(s) of the shares of the Company
“Sichuan Huanlong”	Sichuan Huanlong Technology Fabric Co., Ltd.* (四川環龍技術織物有限公司), a company established in the PRC with limited liability on 7 February 2007 and an indirect non-wholly owned subsidiary of our Company
“South Source”	South Source Enterprises Limited (南源企業有限公司), a company incorporated in the British Virgin Islands with limited liability on 3 October 2018 and wholly-owned by Mr. Zhou
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vistra Trust”	Vistra Trust (Singapore) Pte. Limited is the trustee of both of the SGL Trust and ZJ Trust and holds 100% issued share capital of both of Perfect Angle and Wonderful Advisor in such capacity
“Wonderful Advisor”	Wonderful Advisor Limited, a company with limited liability incorporated in the British Virgin Islands on 30 October 2018 and its entire issued share capital is held by Vistra Trust as trustee for the benefit of Mr. Zhou and the children of Ms. Shen under the ZJ Trust
“ZJ Trust”	An irrevocable discretionary trust pursuant to a deed of settlement dated 24 December 2018 made between South Source as the settlor on one part and Vistra Trust as the trustee on the other part

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

Hong Kong, 6 April 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.