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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

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Reference is made to the section headed “Connected Transactions” of the Prospectus in relation to the Master Supply Agreements and the announcement of the Company dated 6 April 2023 in relation to the revision of the annual cap of the Master Supply Agreements for the year ended 31 December 2023.

As the Master Supply Agreements expired on 31 December 2023, and the Group will continue to carry on the transactions thereunder, on 21 March 2024 (after trading hours), the Group has entered into the 2024 Master Supply Agreements with Huanlong New Materials and Huanlong Daily Products, respectively, for a term of three years ending 31 December 2026.

IMPLICATIONS UNDER THE LISTING RULES

Huanlong Daily Products is a wholly owned subsidiary of Huanlong New Material, the transactions contemplated under the 2024 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 all the applicable Percentage Ratio (other than the profit ratio) for the highest annual cap is less than 5%, the transactions contemplated under the 2024 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 2024 Master Supply Agreements, and have abstained from voting on the relevant resolutions of the Board for approving the 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 2024 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 the Master Supply Agreements and the announcement of the Company dated 6 April 2023 in relation to the revision of the annual cap of the Master Supply Agreements for the year ended 31 December 2023.

As the Master Supply Agreements expired on 31 December 2023, and the Group will continue to carry on the transactions thereunder, on 21 March 2024 (after trading hours), the Group has entered into the 2024 Master Supply Agreements with Huanlong New Materials and Huanlong Daily Products, respectively, for a term of three years ending 31 December 2026.

THE 2024 MASTER SUPPLY AGREEMENTS

The principal terms of the 2024 Master Supply Agreements are summarized below:

(a) 2024 Huanlong New Material Master Supply Agreement

Date: 21 March 2024

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

Subject: Pursuant to the 2024 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: The 2024 Huanlong New Material Master Supply Agreement shall take effect from 1 January 2024 and shall expire on 31 December 2026.

(b) 2024 Huanlong Daily Products Master Supply Agreement

Date: 21 March 2024

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

Subject: Pursuant to the 2024 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: The 2024 Huanlong Daily Products Master Supply Agreement shall take effect from 1 January 2024 and shall expire on 31 December 2026.

Pricing policy

The selling prices of the papermaking felts under the 2024 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 2024 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 Annual Caps and the Historical Aggregated Sales under the existing Master Supply Agreements

The table below sets out the historical annual caps under the existing Master Supply Agreements:

	For the year ended 31 December		
	2021	2022	2023
	(HK\$)	(HK\$)	(HK\$)
Aggregate sales by Sichuan Huanlong under the existing Master Supply Agreements	N/A ^{Note 1}	N/A ^{Note 1}	6,000,000 ^{Note 2}

Note: 1. Since all applicable Percentage Ratios in respect of the transactions contemplated under the 2021 Master Supply Agreements were all below 5% and the aggregated sales therein were less than HK\$3,000,000 for the year ended 31 December 2021 and 31 December 2022, the transactions contemplated under the existing Master Supply Agreements for the year 2021 and 2022 constituted de minimis continuing connected transactions under Rule 14A.76(1)(c) of the Listing Rules, and were fully exempt.

2. As disclosed in the Company's announcement dated 6 April 2023, the annual cap of the 2021 Master Supply Agreements for the year ending 31 December 2023 was revised to HK\$6.0 million.

The table below sets out the historical figures of the aggregated sales between the Group and Huanlong New Material and Huanlong Daily Products, respectively:

	For the year ended 31 December		
	2021	2022	2023
	<i>Approximate</i> (RMB'000)	<i>Approximate</i> (RMB'000)	<i>Approximate</i> (RMB'000)
Supply to Huanlong New Material	574	2,796	3,047
Supply to Huanlong Daily Products	<u>1,121</u>	<u>1,173</u>	<u>1,252</u>
Total:	<u><u>1,695</u></u>	<u><u>3,969</u></u>	<u><u>4,299</u></u>

Annual Caps under the 2024 Master Supply Agreements

	Annual caps for the year ending 31 December		
	2024 (RMB'000)	2025 (RMB'000)	2026 (RMB'000)
Supply to Huanlong New Material	7,000	7,900	7,900
Supply to Huanlong Daily Products	2,000	2,000	2,000
Total:	<u>9,000</u>	<u>9,900</u>	<u>9,900</u>

The above annual caps are determined with reference to:

- (i) the increasing historical sales amount paid by Huanlong New Material and Huanlong Daily Products to the Group for the three years ended 31 December 2023;
- (ii) 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;
- (iii) the Group's enhanced production capability of papermaking felts after completion of the expansion of the Group's production sites in Shanghai, the PRC; and
- (iv) the expected increment in the average market price of the papermaking felts in the three years ending 31 December 2026.

REASONS FOR AND BENEFITS OF THE 2024 MASTER SUPPLY AGREEMENT

The papermaking felts to be supplied by the Group under the 2024 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 2024 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 2024 Master Supply Agreements 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 research and development, production and sales of ecological bamboo fiber materials and corresponding derivative products.

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

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 all the applicable Percentage Ratio (other than the profit ratio) for the highest annual cap is less than 5%, the transactions contemplated under the 2024 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 interests in the transactions contemplated under the 2024 Master Supply Agreements, and have abstained from voting on the relevant resolutions of the Board for approving the annual caps. 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 2024 Master Supply Agreements and none of them is required to abstain from voting on the relevant resolutions of the Board.

DEFINITIONS

“2023 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
“2023 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
“2023 Master Supply Agreements”	2023 Huanlong New Material Master Supply Agreement and 2023 Huanlong Daily Products Master Supply Agreement
“2024 Huanlong Daily Products Master Supply Agreement”	the master supply agreement dated 21 March 2024 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

“2024 Huanlong New Material Master Supply Agreement”	the master supply agreement dated 21 March 2024 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
“2024 Master Supply Agreements”	2024 Huanlong New Material Master Supply Agreement and 2024 Huanlong Daily Products Master Supply Agreement
“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
“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 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
“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 Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhou”	Mr. Zhou Jun (周駿先生), an executive Director, the chief executive officer 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 Ratios”	the percentage ratios under Rule 14.07 of the Listing Rules, other than the equity capital ratio and profits ratio
“PRC” or “China”	the People’s Republic of China
“Prospectus”	the prospectus of the Company dated 29 December 2021
“RMB”	Renminbi, the lawful currency of the PRC
“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 wholly owned subsidiary of our Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 21 March 2024

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*