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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 2024**

FINANCIAL HIGHLIGHTS			
	Year ended 31 December 2024 RMB'000	Year ended 31 December 2023 RMB'000	Year-on-year change %
Revenue	255,488	237,370	7.6%
Gross profit	125,750	126,489	-0.6%
Profit and total comprehensive income attributable to equity holders of the Company	46,192	53,124	-13.0%
	2024 RMB cents	2023 RMB cents	
Earnings per share attributable to equity holders of the Company			
Basic and diluted	9.86	10.99	-10.3%

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 2024 with comparative figures for the previous year of 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	<i>Notes</i>	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Revenue	3	255,488	237,370
Cost of sales		<u>(129,738)</u>	<u>(110,881)</u>
Gross profit		125,750	126,489
Other income		20,365	13,500
Fair value gain/(loss) on financial assets at fair value through profit or loss		150	(154)
Selling and distribution expenses		(28,655)	(22,400)
Administrative and other operating expenses		(50,474)	(42,326)
Finance costs		<u>(14,609)</u>	<u>(11,714)</u>
Profit before income tax		52,527	63,395
Income tax expense	4	<u>(5,827)</u>	<u>(9,712)</u>
Profit and total comprehensive income for the year		<u>46,700</u>	<u>53,683</u>
Profit and total comprehensive income attributable to:			
Equity holders of the Company		46,192	53,124
Non-controlling interests		<u>508</u>	<u>559</u>
		<u>46,700</u>	<u>53,683</u>
		2024 <i>RMB cents</i>	2023 <i>RMB cents</i>
Earnings per share attributable to equity holders of the Company			
Basic and diluted	5	<u>9.86</u>	<u>10.99</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	<i>Notes</i>	2024 RMB'000	2023 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		356,089	358,053
Investment property		36,262	38,261
Land lease prepayment		4,505	4,843
Intangible assets		87,654	80,541
Prepayment of acquisition for property, plant and equipment and intangible assets		39,269	29,843
Deposit		2,100	2,100
Deferred tax assets		1,349	900
		527,228	514,541
Current assets			
Inventories		29,907	19,123
Trade and other receivables	7	215,218	209,932
Financial assets at fair value through profit or loss		980	830
Pledged and restricted bank balances		42,500	—
Cash and cash equivalents		47,516	78,631
		336,121	308,516
Current liabilities			
Contract liabilities		2,769	1,395
Trade and other payables	8	69,876	55,931
Lease liabilities		3,389	4,125
Discounted bills financing		5,176	3,690
Bank borrowings		155,000	84,961
Other borrowings		17,564	27,437
Income tax payable		11,526	13,778
		265,300	191,317

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Net current assets	<u>70,821</u>	<u>117,199</u>
Total assets less current liabilities	<u>598,049</u>	<u>631,740</u>
Non-current liabilities		
Lease liabilities	—	3,389
Other borrowings	11,935	29,815
Bank borrowings	178,700	184,500
Deferred tax liabilities	7,686	5,027
	<u>198,321</u>	<u>222,731</u>
Net assets	<u>399,728</u>	<u>409,009</u>
CAPITAL AND RESERVES		
Share capital	3,949	3,949
Reserves	<u>392,116</u>	<u>401,707</u>
Equity attributable to equity holders of the Company	396,065	405,656
Non-controlling interests	<u>3,663</u>	<u>3,353</u>
Total equity	<u>399,728</u>	<u>409,009</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 headquarters 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/China**”).

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

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

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 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 or after 1 January 2024

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 2024:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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:

	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Packaging papermaking felts	162,801	148,317
Specialty papermaking felts	47,742	41,521
Printing papermaking felts	18,373	19,608
Household papermaking felts	9,347	12,030
Pulp papermaking felts	17,225	15,894
	<u>255,488</u>	<u>237,370</u>

Information about major customers

Revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Customer A	<u><u>38,755</u></u>	<u><u>N/A*</u></u>

* The corresponding revenue does not contribute over 10% of total revenue of the Group.

4. INCOME TAX EXPENSE

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Current tax		
PRC enterprise income tax	2,662	7,961
PRC withholding tax on dividends	955	1,985
	<u>3,617</u>	<u>9,946</u>
Deferred tax		
Current year	2,210	(234)
Income tax expense	<u>5,827</u>	<u>9,712</u>

5. EARNINGS PER SHARE

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

	2024	2023
Earnings		
Profit for the year attributable to equity holders of the Company (<i>in RMB'000</i>)	<u>46,192</u>	<u>53,124</u>
Weighted average number of ordinary shares	468,263,000	483,442,000
Earnings per share (<i>in RMB cents</i>)	<u>9.86</u>	<u>10.99</u>

The calculation of weighted average number of ordinary shares during the period is based on outstanding ordinary shares in issue less weighted average number of ordinary shares held for the Share Award Scheme.

Diluted earnings per share is the same as basic earnings per share for years ended 31 December 2024 and 2023 as there were no dilutive potential ordinary shares in issue during the years.

6. DIVIDENDS

Dividends attributable to the year

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Proposed final dividend of 3 HK cents per ordinary share for the year ended 31 December 2024	13,639	—
Proposed final dividend of 4 HK cents for the year ended 31 December 2023	—	17,559
	<u>13,639</u>	<u>17,559</u>

The final dividend proposed by the Board of the Company after the end of the reporting period has not been recognised as a liability at the end of the reporting period and is subject to approval by the shareholders in the forthcoming annual general meeting.

Dividends attributable to the previous financial year, approved and paid during the year

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Final dividend in respect of the financial year ended 31 December 2023 of 4 HK cents per ordinary share (<i>note</i>)	17,559	—
Final dividend in respect of the financial year ended 31 December 2022 of 4 HK cents per ordinary share	—	17,826
	<u>17,559</u>	<u>17,826</u>

Note: The amount included dividends entitled by the Shares held for Share Award Scheme of RMB979,000.

7. TRADE AND OTHER RECEIVABLES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Trade receivables		
— Third parties	172,388	172,449
— Related parties	4,289	6,544
Less: Expected credit losses (“ECL”) allowance provision	(8,303)	(5,202)
	168,374	173,791
Bills receivables	38,997	27,244
Less: ECL allowance provision	(216)	(234)
	207,155	200,801
Prepayments	2,579	1,213
Refundable deposits	—	4,146
Other tax receivables	63	3,204
Other receivables	5,421	568
	8,063	9,131
	215,218	209,932

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
0–90 days	118,791	113,420
91–180 days	14,294	28,495
181–365 days	16,215	18,895
Over 365 days	27,377	18,183
	176,677	178,993

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
0–90 days	23,549	14,385
91–180 days	15,070	12,719
181–365 days	378	140
	<u>38,997</u>	<u>27,244</u>

8. TRADE AND OTHER PAYABLES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Trade payables		
— Third parties	39,004	26,040
Other payables		
Other payables	4,204	3,523
Construction payables	6,364	9,087
Accrued salaries	7,931	6,563
Receipt in advance from a tenant	700	700
Accruals	1,900	3,172
Warranty provision	5,519	5,121
Other tax payables	4,254	1,725
	<u>30,872</u>	<u>29,891</u>
	<u>69,876</u>	<u>55,931</u>

The Group is granted by its suppliers a credit periods of 30 to 90 days (2023: 30 to 90 days). Based on the invoice dates, the ageing analysis of the trade payables is as follows:

	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
0–30 days	6,904	7,952
31–60 days	10,404	6,446
61–90 days	8,694	4,997
91–180 days	10,253	4,720
181–365 days	2,126	1,517
Over 365 days	623	408
	<hr/> 39,004 <hr/>	<hr/> 26,040 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2024, the recovery of the global economy led to an increase in demand for paper and paperboard, which also made the papermaking industry enter the phase of in-depth adjustment. Through technological innovation and green transformation, enterprises were able to promote industrial concentration, while green and intelligent productions have become mainstream.

Technological Innovation and Green Transformation

In March 2024, a high-end production line with a length of 14.5 metres in the Shanghai Jinxiong production site of the Group officially commenced its operation, which signifies an important breakthrough in terms of technological innovation and intelligent manufacturing. This production line focuses on the production of high performance papermaking felts for the world's widest and most speedy papermaking machine, and has broken the supply chain barriers to papermaking felts for the wide-width and high-speed papermaking machines in China. The commencement of operation of such production line not only improves the quality and stability of our products but also promotes technological innovation and supply chain optimization of the industry.

Breakthrough in Research and Development and Industrial Recognition

In 2024, the Group's technology research and development team attained remarkable breakthroughs in certain key areas, such as highly effective dewatering, seam-folding techniques and other aspects, which facilitated the upgrade of the papermaking felt technique. Sichuan Vanov Technology Fabrics Co., Ltd.* (四川環龍技術織物有限公司) and Shanghai Jinxiong Fabrics Co., Ltd.* (上海金熊造紙網毯有限公司), subsidiaries of the Company, were titled "The First Batch of Industrial Quality Products of Chengdu" (第一批成都工業精品) and awarded the "Green Factory of Shanghai Municipality" (上海市綠色工廠) and the "2024 Top 100 Shanghai Hi-Tech Achievement Transformation Projects" (2024年上海市高新技術成果轉化項目百佳), respectively, which recognized the excellent achievements of the Group in terms of technological innovation and green development.

Market Performance and International Expansion

In 2024, leveraging the stable development of the industry and the commencement of operation of the new production line, the Group achieved optimization of our product structure and high-quality and steady growth in sales of product. The international market attained major breakthroughs with overseas revenue doubling its growth. The Group recorded a revenue of approximately RMB255.5 million throughout the year, representing a year-on-year increase of 7.6%, of which revenue from the international market increased by 105.5%. Although it takes time for the new production line to release its production capacity at the initial stage of operation, coupled with some other factors, such as the increased cost of market expansion, as well as the increased depreciation and the rise in finance cost, resulting in a decline in the Group's net profit in the short-term, it is expected that the production capacity will be gradually released and profit growth will be achieved in the coming year.

Intelligent Manufacturing and Digital Transformation

The Group comprehensively advanced the construction of production lines for intelligent manufacturing. Through the launch of “Huanlong Manufacturing Operation Management” (“MES”) system and papermaking machine efficiency optimizing module, the Group made its production data visualizable and attained accurate administration of its craftsmanship, thereby facilitating the transformation of the traditional production model to the intelligent style. Driven by digitalization and intelligentization, the Group has significantly enhanced its productivity and the quality of its products to lay a solid foundation for its technological innovation in the future.

Future Plans

The Group will accelerate the progress of its international development by strengthening its internal capabilities through “latest equipment, latest model, latest system, latest value”, constantly carrying out technological innovation and productivity upgrade, and promoting development of the industry towards the green, efficient and intelligent direction. Specific measures include:

- (1) technological innovation and product upgrade: continuously improving capabilities of technology research and development, achieving product technology iteration, and providing customers with products that are energy-saving, consumption-reducing and with a longer life-cycle.
- (2) expansion to international markets: accelerating the internationalization process, increasing investment in international market, increasing overseas market shares and promoting the rapid release of benefits of the 14.5-metre high-end production line to ensure that the internationalization strategy has been well in place.

- (3) digital and intelligent administration: continuously optimizing the Paper Machine Operation Efficiency Service Digital Platform* (造紙機運營效率服務數字平台) and strengthening the construction of MES system to give effect to the seamless connection of the comprehensive process of papermaking felts and facilitate the integration of data for the management of the entire life-cycle of felts, thereby enhancing the product refinement and intelligent management capabilities.

The Group will continue to use technological innovation as its core driving force to promote the green, efficient and intelligent development of the papermaking felt industry, continuously improve its operating results, facilitate the internationalization process, and create long-term and stable value returns for our shareholders and stakeholders.

Financial Review

Revenue

The Group principally engages in the design, manufacture and sales of papermaking felts under the brands of **VANOV** and **Cobear**. The revenue for the year ended 31 December 2024 was approximately RMB255.5 million, representing an increase of 7.6% as compared to approximately RMB237.4 million for the year ended 31 December 2023. Such increase in revenue was mainly attributable to the facts that the brand new high-end production line in Shanghai Jinxiong production site has successfully put into operation, resulting in a significant improvement of high-end production capacities; the constant optimization of mid to high-end product structure in the market, driving the sales of product to increase significantly; the international market attained major breakthroughs with overseas revenue doubling its growth. The combined effects of the aforementioned factors facilitated the rise of the Group's overall sales and selling price, thereby achieving an overall growth in revenue.

Gross Profit and Gross Profit Margin

The Group's gross profit for the year ended 31 December 2024 was approximately RMB125.8 million, representing a decrease of approximately RMB0.7 million from approximately RMB126.5 million for the year ended 31 December 2023. Its gross profit margin decreased from approximately 53.3% for the year ended 31 December 2023 to approximately 49.2% for the year ended 31 December 2024, which was mainly attributable to the fact that the brand new high-end production line in the Group's Shanghai Jinxiong production site has put into operation, resulting in the increase in depreciation on equipment, fuel and labour costs. As a result, the Group's depreciation for the year ended 31 December 2024 was approximately RMB25.7 million, representing an increase of approximately RMB9.5 million from approximately RMB16.2 million for the year ended 31 December 2023. The full production capacity of the new production line has yet to be released together with the increase of the production costs had caused a decrease in the gross profit margin of the Group.

Other Income

Other income for the Group increased by approximately RMB6.9 million from approximately RMB13.5 million for the year ended 31 December 2023 to approximately RMB20.4 million for the year ended 31 December 2024, which was mainly attributable to the increase in income from government subsidies and the policies for the additional value-added tax credit applicable to the advanced manufacturing enterprises.

Selling and Distribution Expenses

For the year ended 31 December 2024, selling and distribution expenses of the Group was approximately RMB28.7 million, as compared to approximately RMB22.4 million for the year ended 31 December 2023. Selling and distribution expenses for the year ended 31 December 2024 accounted for approximately 11.2% (2023: 9.4%) of its revenue, representing an increase of approximately RMB6.3 million from the year ended 31 December 2023, which was mainly attributable to the increase in sales payroll driven by the growth in the Group's revenue, as well as the corresponding increase in travel and promotion expenses due to the expansion of high-end market.

Administrative and Other Operating Expenses

For the year ended 31 December 2024, administrative and other operating expenses of the Group was approximately RMB50.5 million, as compared to approximately RMB42.3 million for the year ended 31 December 2023. It is due to the Group's increased investments in research and development and the increase in amortization of intangible assets in order to improve product quality and facilitate product upgrades.

Finance Cost

For the year ended 31 December 2024, total finance cost of the Group reached approximately RMB14.6 million, representing an increase of approximately RMB2.9 million as compared to approximately RMB11.7 million for the year ended 31 December 2023. Such increase was mainly attributable to the Group's application for a bank loan to finance the construction of the brand new high-end production line in Shanghai Jinxiong production site. Following the commencement of operation of such production line during the year, the underlying loan interests were no longer capitalised upon completion of construction and resulting in the increase in the current finance cost.

Income Tax Expense

Income tax expense of the Group for the year ended 31 December 2024 reached approximately RMB5.8 million, representing a decrease of approximately RMB3.9 million from approximately RMB9.7 million for the year ended 31 December 2023. Effective tax rate (income tax expense divided by profit before income tax for the current year) for the year ended 31 December 2024 was approximately 11.1%, as compared to 15.3% for the year ended 31 December 2023. Such decrease was mainly attributable to the accelerated depreciation of applicable fixed assets and the increase in deduction of research and development expenses.

Turnover Days of Inventories and Trade Payables

Turnover days of inventories of the Group for the year ended 31 December 2024 were 69.0 days, as compared to 60.0 days for the year ended 31 December 2023.

Turnover days for trade payables of the Group for the year ended 31 December 2024 were 91.5 days, as compared to 77.0 days for the year ended 31 December 2023.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2024, net assets of the Group reached approximately RMB399.7 million (31 December 2023: approximately RMB409.0 million). As at 31 December 2024, current assets and current liabilities of the Group reached approximately RMB336.1 million (31 December 2023: approximately RMB308.5 million) and approximately RMB265.3 million (31 December 2023: approximately RMB191.3 million). As at 31 December 2024, the current ratio of the Group was 126.7%, as compared to 161.3% as at 31 December 2023.

The Group normally finances its operations from cash generated from its operating activities and bank and other borrowings. As at 31 December 2024, outstanding bank borrowings and other borrowings of the Group was approximately RMB363.2 million (31 December 2023: approximately RMB326.7 million). These bank borrowings and other borrowings were generally secured by its pledged and restricted bank balances, property, plant and equipment and land lease prepayment. As at 31 December 2024, bank balances and cash and pledged and restricted bank balances of the Group reached approximately RMB47.5 million (31 December 2023: approximately RMB78.6 million) and approximately RMB42.5 million (31 December 2023: nil), respectively. Net gearing ratio (total borrowings minus cash and cash equivalents and divided by shareholders' equity) of the Group as of 31 December 2024 was 80.3% (31 December 2023: 61.6%).

The Group has sufficient cash and available banking facilities 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 risks (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 2024 was approximately 92.2% as compared to approximately 80.8% as at 31 December 2023. The increase in gearing ratio was mainly due to the increase in short-term loans in 2024.

Pledge of Assets

As at 31 December 2024, certain of the Group's assets were pledged to secure banking facilities, bank and other borrowings of the Group. The aggregate carrying amount of the assets of the Group pledged at 31 December 2024 was approximately RMB178.5 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 as at 31 December 2024, of which bank balances and trade receivables denominated in US dollars amounted to approximately RMB15.7 million and RMB2.2 million, respectively, and bank balances denominated in Hong Kong dollars amounted to approximately RMB0.07 million, 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 2024, 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 this announcement, 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 2024.

Employee and Remuneration Policy

As at 31 December 2024, the Group had 401 employees (as at 31 December 2023: 357 employees). As at 31 December 2024, the total staff cost, including salaries, wages and other benefits, and contributions to defined contribution plans, amounted to approximately RMB49.1 million (2023: RMB41.2 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 of the Company 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.

On 10 March 2025, the Company announced to change the use of the remaining unutilised net proceeds from the Listing in the amount of HK\$9.7 million from pursue strategic acquisitions to purchase machinery to upgrade production sites and strengthen research and development capabilities. Please refer to the announcement of the Company dated 10 March 2025 (the “**Announcement**”) for details.

The particulars of the change in use of proceeds and the updated proposed timetable for the use of unutilised net proceeds are as follows:

	Percentage as at 31 December 2024	Allocated use of proceeds as at 31 December 2024 (HK\$ million)	Used as of 31 December 2024 (HK\$ million)	Unused balance as of 31 December 2024 (HK\$ million)	Revised allocated use of proceeds according to the Announcement (HK\$ million)	Revised unused balance according to the Announcement (HK\$ million)	Proposed timetable for the use of unutilised net proceeds
Purchase machinery to upgrade production sites	40%	38.8	38.8	—	5.0	5.0	On or before 31 December 2025
Strengthen research and development capabilities	20%	19.4	19.4	—	4.7	4.7	On or before 31 December 2025
Pursue strategic acquisitions	10%	9.7	—	9.7	—	—	
Reduce indebtedness	20%	19.4	19.4	—	—	—	
Working capital and other general corporate purpose	10%	9.7	9.7	—	—	—	
	<u>100%</u>	<u>97.0</u>	<u>87.3</u>	<u>9.7</u>	<u>9.7</u>	<u>9.7</u>	

As at 31 December 2024, the amount of unutilised net proceeds amounted to approximately HK\$9.7 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 2024, save for the net proceeds originally allocated for “pursue strategic acquisitions”, the utilised net proceeds were applied in accordance with the planned use as previously disclosed in the Prospectus. The remaining net proceeds are expected to be used according to the Announcement and are expected to be utilised on or before 31 December 2025.

OTHER INFORMATION

Securities Transactions By Directors

The Company adopted the Model Code as set out in Appendix C3 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 2024.

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 2022 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 2024, and there was no outstanding share option as at 31 December 2024.

Share Award Scheme

The Company adopted a share award scheme (the “**Share Award Scheme**”) on 9 May 2024 (the “**Adoption Date**”), under which the shares of the Company (the “**Awarded Shares**”) may be awarded to directors and employees of the Company or its subsidiaries and directors and employees of its holding companies, fellow subsidiaries or associated companies (the “**Eligible Participants**”) pursuant to the terms of the scheme. The purpose of the Share Award Scheme is to recognise and reward the contribution of the Eligible Participants to the growth and development of the Group and to give incentives to them in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

Subject to any early termination as may be determined by the Board pursuant to the rules, the Share Award Scheme shall be valid and effective for a term of 10 years commencing from the Adoption Date. The maximum number of the Awarded Shares shall not exceed 30,000,000 shares of the Company, representing approximately 6.21% of the issued share capital of the Company as at the Adoption Date. The maximum number of Awarded Shares that may be granted to an Eligible Participant under the Share Award Scheme shall not exceed 1 per cent of the issued share capital of the Company from time to time.

Details of the Share Award Scheme have been set out in the Company's announcement dated 9 May 2024. Since the Adoption Date up to 31 December 2024, 26,816,000 (2023: 0 shares) shares were acquired by an independent trustee appointed by the Company for the Share Award Scheme with no Awarded Shares had been awarded to any Eligible Participant.

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 2024 and up to the date of this announcement.

CORPORATE GOVERNANCE

During the year ended 31 December 2024, the Company has applied the principles and complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 to the Listing Rules except for the following deviations.

Under code provision C.5.3 of the CG Code, notice of at least 14 days should be given of a regular board meeting to all Directors to give all Directors an opportunity to attend. During the year under review, certain Board meetings of the Company were convened with less than 14 days' notice to facilitate the Directors' timely reaction and expeditious decision making process in respect of investment opportunity and internal affairs of the Group. All Board meetings, nevertheless, were duly convened and held in the way prescribed by the Articles of Association of the Company. The Board will use reasonable endeavour to meet the requirement of code provision C.5.3 of the CG Code in future.

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

As of 31 December 2024, there was no purchase, sale or redemption of the Company's listed securities (including sale of treasury shares) by the Company or any of its subsidiaries.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save for the Share Option Scheme and the Share Award Scheme, as of 31 December 2024, 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 2024 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 20 June 2025.

DIVIDEND

The Board recommended the payment of a final dividend of 3 HK cents per share of the Company for the year ended 31 December 2024 (2023: 4 HK cents) to the shareholders of the Company whose names shall be on the register of members of the Company on Monday, 30 June 2025, amounting to approximately HK\$14,503,260. Subject to the approval by the shareholders of the Company in the AGM, the final dividend will be dispatched to Shareholders on or around 31 October 2025.

CLOSURE OF REGISTER OF MEMBERS

For Determining the Eligibility to Attend and Vote at the 2025 AGM

The register of members of the Company will be closed from Tuesday, 17 June 2025 to Friday, 20 June 2025 (both days inclusive) for the purpose of determining the entitlement of attending and voting at the AGM to be held on Friday, 20 June 2025. The record date will be Friday, 20 June 2025. 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 Monday, 16 June 2025.

ENTITLEMENT TO THE PROPOSED FINAL DIVIDEND

The register of members of the Company will be closed from Thursday, 26 June 2025 to Monday, 30 June 2025 (both days inclusive) for the purpose of determining the entitlement of receiving the final dividend for the year ended 31 December 2024. The record date will be Monday, 30 June 2025. 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 Wednesday, 25 June 2025.

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 2024 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 2024, 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 2024 containing all the information required by the Listing Rules will be dispatched to its shareholders, if necessary, 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, 21 March 2025

As at the date of this announcement, the Board comprises four executive Directors, namely Ms. Shen Genlian, Mr. Zhou Jun, Mr. Xie Zongguo 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*