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F A R N O V A

FARNOVA GROUP HOLDINGS LIMITED

法諾集團控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 8153)

DISCLOSEABLE TRANSACTION ACQUISITION OF 7% EQUITY INTEREST IN THE TARGET COMPANY

The Board is pleased to announce that on 7 December 2021, Farnova Changde and the Vendor entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Equity Interest, being 7% of the entire equity interest in the Target Company, at the Consideration of RMB7,075,250.

GEM LISTING RULES IMPLICATIONS

As one or more than one of the applicable percentage ratio(s) in respect of the Acquisition are greater than 5% and all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

As Completion is subject to the fulfilment of a number of conditions, the Acquisition may or may not proceed to Completion. Shareholders of the Company and potential investors should exercise caution when dealing in the shares or other securities of the Company.

INTRODUCTION

On 7 December 2021, Farnova Changde and the Vendor entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Equity Interest, being 7% of the entire equity interest in the Target Company, at a total consideration of RMB7,075,250.

AGREEMENT

The principal terms of the Agreement are set out below:

Date

7 December 2021

Parties

1. Changchun Huaao Automobile Manufacturing Co. Ltd.* (長春華奧汽車製造有限公司), being the vendor;
2. Farnova Automobile (Changde) Manufacturing Limited* (法諾汽車(常德)製造有限公司) (i.e. Farnova Changde), being the purchaser.

Assets to be acquired

The Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Equity Interest, being 7% of the equity interest in the Target Company, free from all encumbrances.

Consideration

The Consideration of RMB7,075,250 shall be paid to the Vendor by the Purchaser upon Completion by cash.

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser having considered (i) the unaudited net asset value of the Target Company as at 30 September 2021 of approximately RMB101,075,000; and (ii) the business development and prospects of the Target Company. The Directors consider that the Consideration was fair and reasonable and in the interest of the Company and its Shareholders taken as a whole.

Conditions precedent

Completion of the Agreement is conditional upon the followings:

- a. the Purchaser having completed and satisfied with the due diligence review conducted on the Target Company (including but not limited to legal, financial and tax position etc.);

- b. the Warranties being true and accurate in all material respects as at the Completion Date and none of the Warranties having been breached by the Vendor; and
- c. the Vendor and Purchaser having obtained all relevant approvals and consents (if required) for the Acquisition and those approvals and consents not being revoked.

If the above conditions have not been satisfied (or waived by the Purchaser except for conditions (c)) on or before 1 June 2022, the Agreement shall cease and determine and neither party shall have any obligations and liabilities towards each other save for any antecedent claims.

Completion

Completion shall take place on the Completion Date.

INFORMATION OF THE COMPANY, FARNOVA CHANGDE, THE VENDOR AND THE TARGET COMPANY

Information of the Company

The Group principally engages in (i) the provision of advertising services and (ii) sales of new energy electric vehicles.

Information of Farnova Changde

Farnova Changde is a limited liability company established under the laws of the PRC, the entire equity interest of which is indirectly held by the Company.

Information of the Vendor

The Vendor is a limited liability company established under the laws of the PRC on 25 June 2007 which is an independent third party and is principally engaged in manufacturing and distribution of automobiles and auto parts.

Information of the Target Company

The Target Company is a limited liability company established under the laws of the PRC on 14 November 2015 and is principally engaged in manufacturing and sales of road vehicles and new energy vehicles.

Set out below is the financial information of the Target Company for the period from 1 January 2020 to 30 September 2021:

	As at 30 September 2021/ for the period from 1 January 2020 to 31 December 2020 (unaudited) <i>RMB'000</i>
Revenue	1,469
Net loss before taxation	3,489
Net loss after taxation	3,489
Net assets	101,075

REASONS FOR AND BENEFITS OF THE ACQUISITION

Whilst the Group remains focused on developing its existing businesses, it has been the business strategy of the Group to proactively seek potential investment opportunities to improve the business operation and financial position of the Group.

The Directors consider that the Acquisition is in line with the Group's business strategy. The Group will make full use of its advantages in the design of new energy vehicle, application of carbon fiber new material technology and domestic and foreign sales markets, and will combine with the advantages of the Vendor and the Target Company in the research and development of new energy commercial vehicle products and their comprehensive manufacturing platform, to develop the electric vehicle markets in the PRC, the ASEAN countries, U.S. and Europe.

The Directors are of the view that the terms and conditions of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one or more than one of the applicable percentage ratio(s) in respect of the Acquisition are greater than 5% and all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

As Completion is subject to the fulfilment of a number of conditions, the Acquisition may or may not proceed to Completion. Shareholders of the Company and potential investors should exercise caution when dealing in the shares or other securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition”	the acquisition of the Equity Interest by the Purchaser from the Vendor pursuant to the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement entered into the Purchaser and the Vendor dated 7 December 2021 pursuant to which the Purchaser shall purchase the Equity Interest from the Vendor
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	Farnova Group Holdings Limited, a company incorporated under the laws of Bermuda with limited liability, the Shares of which are listed on GEM (stock code: 8153)
“Completion”	completion of the transactions contemplated under the Agreement
“Completion Date”	the 10th Business Day following day that all conditions precedent to the Completion being satisfied (or waived, as the case maybe)

“connected person(s)”	has the meaning as defined under the GEM Listing Rules
“Consideration”	RMB7,075,250, being the consideration for the sale of the Sale Shares
“Director(s)”	director(s) of the Company
“Equity Interest”	7% of the entire equity interest in the Target Company, being the subject matter under the Acquisition
“Farnova Changde” or “Purchaser”	Farnova Automobile (Changde) Manufacturing Limited* (法諾汽車（常德）製造有限公司), a limited liability company established under the laws of the PRC, the entire equity interest of which is indirectly held by the Company
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong and the Macau Special Administrative Region
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.0004 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Guangxi Huao Automobile Manufacturing Co. Ltd.* (廣西華奧汽車製造有限公司), a limited liability company established under the laws of the PRC, the equity interest of which is held by the Vendor as to 68.3889%, Guangxi Industrial Investment Development Co., Ltd. * (廣西工業投資發展有限責任公司) as to 24.0124% and Guangxi Guigang Industrial Investment Development Group Co., Ltd. (廣西貴港市工業投資發展集團有限公司) as to 7.5988%
“Vendor”	Changchun Huao Automobile Manufacturing Co. Ltd.* (長春華奧汽車製造有限公司), a limited liability company established under the laws of the PRC, the registered and beneficial owner of 68.3889% of the entire equity interest of the Target Company as at the date of this announcement and the vendor under the Acquisition
“%”	per cent.

By Order of the Board
Farnova Group Holdings Limited
Guo Gelin
Chairman

Hong Kong, 7 December 2021

As of the date of this announcement, the executive Directors are Mr. Guo Gelin, Mr. Mou Zhongwei and Mr. Deng Li; the non-executive Directors are Mr. Wang Qiang, Mr. Kuang Quanzhuang, Mr. Li Guangying and Mr. Wang Hanjing; and the independent non-executive Directors are Mr. Luo Ji, Ms. Wu Hong, Mr. Li Jianxing and Dr. Wu Bin.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website <http://www.hkgem.com> for at least 7 days from the date of its publication. This announcement will also be published on the Company’s website at <http://farnov.ocoplus.com>.

* *The English translation of the Chinese name of the relevant entity included in this announcement is for identification and reference only, and such translation may not be accurate and such entity may not have an official English translation/version of its Chinese name.*