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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 51% EQUITY INTERESTS IN THE TARGET COMPANY

The Board of Directors is pleased to announce that, on 24 December 2021, Haidemu, the Vendor and the Target Company entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Equity Interests, being 51% of the entire equity interests in the Target Company, at the Consideration of RMB12,750,000 (equivalent to HK\$15,555,000).

Upon completion of the transfer of the Equity Interests, the Target Company will become an indirect non-wholly owned subsidiary of the Company.

GEM LISTING RULES IMPLICATIONS

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

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

INTRODUCTION

On 24 December 2021, Haidemu, the Vendor and the Target Company entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Equity Interests, being 51% of the entire equity interests in the Target Company, at the Consideration of RMB12,750,000 (equivalent to HK\$15,555,000).

Upon completion of the transfer of the Equity Interests, the Target Company will become an indirect non-wholly owned subsidiary of the Company.

AGREEMENT

The principal terms of the Agreement are set out below:

Date

24 December 2021

Parties

1. Zhu Ning, being the vendor;
2. Shenzhen Haidemu Green Technology Co., Ltd., i.e. Haidemu, the purchaser.

Assets to be acquired

The Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Equity Interests, being 51% of the entire equity interests in the Target Company, free from all encumbrances.

Consideration

Upon Completion, the Company shall pay the Vendor the Consideration of RMB12,750,000 (equivalent to HK\$15,555,000).

The Purchaser will pay the first transfer price of RMB1,400,000 (equivalent to HK\$1,708,000) to the Transferor before 1 March 2022;

The second transfer price totalling RMB1,400,000 (equivalent to HK\$1,708,000) will be paid to the Transferor before 1 May 2022;

The third transfer price totalling RMB9,950,000 (equivalent to HK\$12,139,000) will be paid to the Transferor before 1 October 2022;

The consideration is determined by the Vendor and the Purchaser after an arm's length negotiation and after taking into account the following factors:

- (i) The Vendor warrants that the Target Company's revenue as of 31 December 2022 shall not be less than RMB30,000,000 (equivalent to HK\$36,600,000).
- (ii) The Vendor warrants that the Target Company's revenue as of 31 December 2023 shall not be less than RMB50,000,000 (equivalent to HK\$61,000,000); and
- (iii) the business development and prospects of the Target Company.

The Directors consider that the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion of the Agreement is conditional upon the followings:

- a. the Purchaser having completed and satisfied with the results of the due diligence conducted on the Target Company (including but not limited to the legal, financial and tax position), and the PRC legal adviser appointed by the Company having issued the PRC legal opinion in respect of the Agreement and the Acquisition and the contents of which being satisfied by the Purchaser;
- 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;
- c. the Vendor and the Purchaser having obtained all relevant approvals and consents (if required) for the Acquisition and such approvals and consents having not been revoked.

If the above conditions have not been fulfilled (or waived by the Purchaser, except for Condition (c)) on or before 1 June 2022, the Agreement shall terminate and cease, and none of the parties hereto shall assume any obligation or liability to the other parties, except as previously stated.

Completion

Completion shall take place on the Completion Date. Following Completion, the Target Company will become a direct non-wholly owned subsidiary of Haidemu and its financial results and position will be consolidated into the Company's financial statements.

INFORMATION ABOUT THE COMPANY, HAIDEMU, THE VENDOR AND THE TARGET COMPANY

Information about the Company

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

Information about Haidemu

Haidemu is a company incorporated under the laws of the PRC with limited liability, the entire equity interest of which is indirectly held by the Company.

Following Completion, the Target Company will become a direct non-wholly owned subsidiary of Haidemu and also an indirect non-wholly owned subsidiary of the Company.

Information about the Vendor

The Vendor is a third party independent of the Company and its Connected Persons.

Information about the Target Company

The Target Company is a company incorporated under the laws of the PRC with limited liability on 8 January 2010, which is principally engaged in the advertising business.

Set out below is the financial information of the Target Company for the two years from 1 January 2019 to 31 December 2020:

	From 1 January 2019 to 31 December 2019 (audited) RMB'000	From 1 January 2020 to 31 December 2020 (unaudited) RMB'000
Revenue	19,081	8,170
Net profit/(loss) before tax	(12,694)	124
Net profit/(loss) after tax	(12,754)	124

As at 30 June 2021, the Target Company's unaudited net liabilities amounted to RMB3,248,774 (equivalent to HK\$3,963,505).

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 it is beneficial for the Group to seek suitable investment opportunities from time to time to diversify its existing business portfolio into new line of business with growth potential and to broaden its revenue stream in order to enhance value of the Shareholders.

The Directors consider that the Acquisition is in line with the Group's business diversification strategy and will develop the Chinese market for the Group's advertising business, and the Target Company's promotion experience in holding various new vehicle launch events in China has a synergistic effect with the Group's sales of new energy electric vehicles, which provides an attractive investment opportunity and will generate diversified revenue and additional cashflow through the Target Company.

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.

GEM LISTING RULES IMPLICATIONS

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

As the Completion is subject to the fulfilment of a number of conditions, the Acquisition may or may not proceed to Completion. Shareholders and potential investors of the Company are reminded to 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 Interests by the Company from the Vendor pursuant to the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement entered into by Haidemu, the Vendor and the Target Company and dated 24 December 2021, pursuant to which Haidemu being the purchaser shall purchase the Equity Interest from the Vendor

“Board”	the board of Directors
“Business Day”	a day (excluding Saturdays) on which licensed banks in Hong Kong are generally open for the business throughout their normal business hours
“Completion”	completion of the transaction contemplated under the Agreement
“Completion Date”	the fifth Business Day following the day that all conditions precedent to the Completion are satisfied (or waived, as the case may be)
“Connected Person(s)”	the meaning ascribed to it under the GEM Listing Rules
“Consideration”	RMB12,750,000 (equivalent to HK\$15,555,000), that is, the consideration for the Acquisition
“Director(s)”	director(s) of the Company
“Equity Interests”	51% equity interests in the Target Company, being the subject matter under the Acquisition
“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
“Haidemu” or “Purchaser”	Shenzhen Haidemu Green Technology Co., Ltd., a company incorporated under the laws of the PRC with limited liability, the entire equity interests of which is indirectly held by the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong Special Administrative Region and Macau Special Administrative Region
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of par value HK\$0.0004 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Beijing Creative Communication International Culture Media Co., Ltd., a company incorporated under the laws of the PRC with limited liability, the equity interests of which is held by the Vendor as to 63.5% and Li Wenlan as to 36.5%
“Vendor”	Zhu Ning, the registered and beneficial owner who directly owned 63.5% equity interests of the Target Company as at the date of this announcement and the vendor under the Agreement
“%”	percent

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

Hong Kong, 24 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.

For the purpose of this announcement, unless otherwise specified, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 = HK\$1.22. Such exchange rate is adopted for illustration purpose only and does not constitute a representation that any amounts in HK\$ and RMB have been, could have been or may be converted at such rate or any other exchange rate.

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>.