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JIADING INTERNATIONAL GROUP HOLDINGS LIMITED

嘉鼎國際集團控股有限公司

(Formerly known as Farnova Group Holdings Limited 法諾集團控股有限公司)

(Incorporated in Bermuda with limited liability)

(Stock code: 08153)

TERMINATION OF MAJOR TRANSACTION

On 26 November 2021, the Company entered into the Agreement with the Vendor, the Target, Guarantor A and Guarantor B relating to the acquisition of 12.005% equity interest in the Target at the consideration of RMB100 million in cash. The Company has served on the Vendor a notice of termination of the Agreement on 10 November 2022 pursuant to the terms thereof.

The Acquisition never materialized and no money was paid by the Company pursuant to the Agreement. Nevertheless, as the highest percentage ratio under the GEM Listing Rules exceeds 25% but was under 100%, the Acquisition would have constituted a major transaction and would have subject to the reporting, announcement and shareholders approval requirements under Chapter 19 of the GEM Listing Rules.

THE AGREEMENT

Date: 26 November 2021

Parties:

1. the Vendor;
2. the Company;
3. the Target;
4. Guarantor A;
5. Guarantor B.

To the best of the Directors' knowledge, information and belief, and after making all reasonable enquiries, the Vendor, the Target, Guarantor A and Guarantor B and their respective ultimate beneficial owner were Independent Third Parties. The Vendor is principally engaged in investment holding. The Target is principally engaged in automobile manufacturing. Guarantor A is principally engaged in manufacturing and distribution of automobiles and auto parts whose ultimate beneficial owner is Guarantor B.

Assets proposed to be acquired

12.005% equity interest in the Target.

Consideration

The proposed consideration was RMB100 million in cash. Part of the proposed consideration in the sum of RMB50 million shall have been paid within 30 days from the date of the Agreement. Thereafter the Vendor shall have procured transfer of 50% of the Equity Interest to the Company. The balance of the proposed consideration shall have been paid within 30 days after the transfer of the said 50% Equity Interest.

The consideration was determined after arm's length negotiation between the Vendor and the Company having considered (i) the investment costs for the Equity Interest being RMB100 million which represented the capital investment by the Vendor into the Target in respect of the Equity Interest which had been fully paid; and (ii) the business development and prospects of the Target.

Information of the Target

The Target 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 for the period from 1 January 2019 to 30 September 2021:

	From 1 January 2019 to 31 December 2019 (unaudited) RMB'000	As at 30 September 2021/for the period from 1 January 2020 to 31 December 2020 (unaudited) RMB'000
Revenue	—	1,469
Net loss before taxation	15,734	3,489
Net loss after taxation	15,734	3,489
Net assets	112,980	101,075

BACKGROUND FOR THE ACQUISITION

The Group is principally engaged in the provision of advertising services and sales of new energy vehicles.

The Company has been interested in acquiring the shares of the Target since 2021. It was the intention of the Company to 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 to combine with the advantages of the Target in the research and development of new energy commercial vehicle products and their comprehensive manufacturing platform, and to develop the electric vehicle markets in the PRC, the ASEAN countries, U.S. and Europe.

As stated in the Agreement, there was an agreement between Guarantor A and the Vendor in 2017 relating to the capital contribution in the Target. It was provided that the investment by the Vendor in the Target shall not exceed 5 years and that Guarantor A may designate a party to buy back the shares in the Target held by the Vendor within 5 years. Guarantor A and the Vendor held 68.39% and 24.01% respectively in the equity interest of the Target.

As disclosed in the announcement of the Company dated 29 January 2021, the Company's subsidiary entered into a letter of intent with Guarantor A for the potential acquisition of 58.39% equity interest in the Target. Yet, upon further negotiation, such acquisition of 58.39% equity interest in the Target did not materialize since the parties contemplated scaling down the size of the acquisition.

Subsequently on 26 November 2021, under the designation of Guarantor A, the Company entered into the Agreement with the Vendor, and Guarantor A was the guarantor because the Company entered into the Agreement under its designation. Guarantor A and Guarantor B agreed to guarantee the Vendor the performance of the Company's obligation under the Agreement.

Shortly after the execution of the Agreement, Guarantor A informed the Company that the Company should acquire the Equity Interest in the Target from Guarantor A instead of the Vendor. On 7 December 2021, the Company entered into a separate sale and purchase agreement with Guarantor A for the acquisition of 7% equity interest in the Target.

The Company believed that this was a separate transaction which evidenced the substitution of Guarantor A's previous designation to the Company for acquiring the Equity Interest from the Vendor. The Company duly published an announcement of the said acquisition on 7 December 2021.

Meanwhile, upon conducting due diligence of the Target, the Company spotted certain financial discrepancies and was of the view that the consideration demanded by the Vendor was too high. In addition, certain material warranties and representations in the Agreement were found to be inconsistent with the due diligence conducted by the Company including without limitation that certain equity interests in the Target were pledged and/or subject to court seizure order.

The Company entered into the Agreement under the designation of Guarantor A and that the Company understood that there was a separate arrangement between Guarantor A and the Vendor. Once Guarantor A revoked its designation and requested the Company to sign another acquisition agreement with Guarantor A, coupled with the fact that there was breach of the Agreement by the Vendor, the Board was of the view that the Agreement was terminated and of no effect anymore. In any event, the Company was of the view that the acquisition of 7% equity interest in the Target has overridden the Agreement. The acquisition of 7% equity interest in the Target was subsequently lapsed due to non-fulfillment of the relevant conditions precedent.

The Company has served on the Vendor a notice of termination of the Agreement on 10 November 2022 pursuant to the terms thereof. The Company will issue further announcement on the status of the Agreement as and when appropriate. Up to the date of this announcement, the Company has not received any notification of legal proceedings from the Vendor relating to the Agreement.

NON-COMPLIANCE WITH GEM LISTING RULES

The Acquisition never materialized and no money was paid by the Company pursuant to the Agreement. Nevertheless, as the highest percentage ratio under the GEM Listing Rules exceeds 25% but was under 100%, the Acquisition would have constituted a major transaction and would have been subject to the reporting, announcement and shareholders approval requirements under Chapter 19 of the GEM Listing Rules.

To prevent the occurrence of similar incidents in the future, the Company will implement the following measures:

- (i) Arranging training for all directors of the Company on the latest requirements on notifiable transactions under the Listing Rules;
- (ii) Setting out clearer internal guidelines for the management to follow in respect of the disclosure and approval requirements and working procedures of agreements to be entered into by the Group, with particulars of the monetary amount which will trigger the disclosure and/or shareholders' approval requirements;

- (iii) The Board and other members of the senior management are reminded to seek prior legal advice on the relevant compliance requirements for agreements which are not entered into in the ordinary business of the Group.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

“Acquisition”	the proposed acquisition of the Equity Interest pursuant to the Agreement
“Agreement”	the sale and purchase agreement dated 26 November 2021 made between the Vendor, the Company, the Target, Guarantor A and Guarantor B relating to the sale and purchase of 12.005% equity interest in the Target
“Board”	the Board of directors of the Company
“connected persons”	has the meaning ascribed to it under the GEM Listing Rules
“Company”	Farnova Group Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on GEM
“Directors”	the directors of the Company
“Equity Interest”	the 12.005% equity interest in the Target being the subject matter of the Agreement
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“Guarantor A”	長春華奧汽車製造有限公司 (Changchun Huaao Automobile Manufacturing Co. Ltd.*), a company incorporated in the PRC
“Guarantor B”	陳立學 (Chen Lixue)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a third party independent of the Company and its connected persons
“PRC”	The People’s Republic of China
“Share(s)”	ordinary share(s) of HK\$0.004 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	廣西華奧汽車製造有限公司 (Guangxi Huaao Automobile Manufacturing Co. Ltd.*), a company incorporated in the PRC
“Vendor”	廣西工業投資發展有限責任公司 (Guangxi Industrial Investment Development Co. Ltd.*), a company incorporated in the PRC

By Order of the Board
Jiading International Group Holdings Limited
Mou Zhongwei
Chairman

Hong Kong, 12 January 2023

As of the date of this announcement, the executive Directors are Mr. Mou Zhongwei, Ms. Liu Ching Man and Mr. Li Guangying; the non-executive Directors are Ms. Wang Dongmei and Mr. Ye Wenxue; and the independent non-executive Directors are Mr. Luo Ji, Mr. Lui Chi Kin and Ms. Cai Ying.

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 website of the Exchange at www.hkexnews.hk on the “Latest Listed Company Information” page for at least 7 days from the date of its posting. This announcement will also be published and remains on the website of the Company at www.irasia.com/listco/hk/jiading/.