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NOVA Group Holdings Limited

諾發集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1360)

DISCLOSEABLE TRANSACTION DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL IN A SUBSIDIARY

THE DISPOSAL

The Board hereby announces that, after trading hours on 19 November 2020, the Company and the Purchaser entered into the Agreement, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share, representing the entire issued share capital of the Target Company, at the Consideration of HK\$29,500,000 (subject to adjustment).

Upon Completion, the Target Company will cease to be a subsidiary of the Company.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal is more than 5% but all of them are less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As the Disposal is subject to fulfilment of certain conditions precedent set out in the Agreement and therefore may or may not proceed, Shareholders and investors are reminded to exercise caution when dealing in the Shares.

INTRODUCTION

The Board hereby announces that, after trading hours on 19 November 2020, the Company and the Purchaser entered into the Agreement, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share, representing the entire issued share capital of the Target Company, at the Consideration of HK\$29,500,000 (subject to adjustment). Principal terms of the Disposal are set out as below:

THE AGREEMENT

Date

19 November 2020

Parties

- (1) the Company; and
- (2) the Purchaser

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made reasonable enquiries, the Purchaser is an Independent Third Party.

Asset to be disposed of

Pursuant to the Agreement, the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share, representing the entire issued share capital of the Target Company as at the date of this announcement.

Consideration

The Consideration for the Sale Share is HK\$29,500,000 (subject to adjustment), which shall be settled in cash as follows:

- (1) HK\$15,000,000 shall be paid to the Company within 7 Business Days from the date of the Agreement (or other time limit as agreed otherwise by the Company and the Purchaser in writing); and
- (2) HK\$14,500,000 shall be paid to the Company within 30 Business Days from the date of the Agreement (or other time limit as agreed otherwise by the Company and the Purchaser in writing).

In the event that the arbitral award of an ongoing arbitration case (the “**Arbitral Award**”) in respect of a dispute between MEIL and an Independent Third Party has been received after Completion, the Purchaser shall inform the Company of the Arbitral Award as soon as possible and forward copies of any documents in relation to the Arbitral Award to the Company within 3 Business Days after MEIL’s receipt of the same.

In the event that the Arbitral Award is in favour of MEIL, the Consideration shall be adjusted as follows:

$$A = B + C$$

A is the adjusted Consideration;

B is HK\$29,500,000; and

C is the compensation and/or amount to be received by MEIL and/or other relevant party(ies) under the Arbitral Award.

The adjusted Consideration (deducting the Consideration already paid) shall be paid to the Company within 14 Business Days upon the Purchaser’s receipt of the Arbitral Award (or other time limit as agreed otherwise by the Company and the Purchaser in writing).

The claim involved in the aforesaid arbitration case amounted to RMB1,800,000 (equivalent to approximately HK\$2,083,000).

The Consideration was determined after arm's length negotiations between the Company and the Purchaser after taking into account (i) the business prospect of the Disposal Group; and (ii) the recent financial performance of the Disposal Group.

The Group intends to apply the net proceeds from the Disposal of approximately HK\$29,500,000 for repayment of certain debts of the Group and for general working capital of the Group.

Conditions precedent

Completion shall be conditional upon and subject to:–

- (a) the Company and the Purchaser duly received and paid the unadjusted Consideration in full, respectively; and
- (b) all consents, approvals and/or waivers which are necessary in connection with the signing and performance of the Agreement having been obtained by the Company and the Purchaser, and such consents, approvals and/or waivers remaining not being revoked.

The Company may in its discretion at any time prior to the Completion waive any of the conditions precedent (except for the condition precedent set out in paragraph (a) above and those which would otherwise contravene with relevant laws and regulations).

The Company and the Purchaser shall use their respective best endeavours to procure and ensure the fulfilment of the above conditions on or before the Long Stop Date. If the conditions set out above have not been satisfied (or as the case may be, waived by the Company) on or before the Long Stop Date, the Company shall be entitled to deduct and forfeit an amount equivalent to 10% of the unadjusted Consideration (i.e. HK\$2,950,000) from the unadjusted Consideration paid by the Purchaser as default payment with the balance sum (after such deduction) to be returned to the Purchaser within 10 Business Days after the Long Stop Date.

Completion

Upon fulfilment or waiver of the above conditions, the Completion shall take place on the Completion Date.

INFORMATION ON THE DISPOSAL GROUP

As at the date of this announcement, the Disposal Group consists of the Target Company, which wholly owns MEIL.

The Target Company

The Target Company is a company incorporated in the BVI with limited liability, which is a direct wholly-owned subsidiary of the Company. The Target Company is an investment holding company.

MEIL

MEIL is a company incorporated in Hong Kong with limited liability. MEIL is principally engaged in investment holding. As at the date of this announcement, MEIL wholly owns Shanghai Mijia Expo and 51% equity interest of Shanghai Mijia Hemaomao. As such, Shanghai Mijia Expo and Shanghai Mijia Hemaomao are indirect subsidiaries of the Target Company. Both Shanghai Mijia Expo and Shanghai Mijia Hemaomao are principally engaged in organisation and sponsorship of trade shows, exhibitions and events, and provision of event planning, management and ancillary services.

Financial information of the Disposal Group

Set out below is a summary of the key financial data of the Disposal Group based on the two years ended 30 June 2019 and 2020:

	For the year ended 30 June 2019	For the year ended 30 June 2020
	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2,167	21,467
Profit/(loss) before tax	(1,307)	1,260
Loss for the year	(1,323)	(2,085)

As at 31 October 2020, the unaudited consolidated net asset value of the Disposal Group amounted to approximately HK\$29,291,000.

FINANCIAL EFFECTS OF THE DISPOSAL

As at the date of this announcement, the Target Company is a wholly-owned subsidiary of the Company. Upon Completion, the Target Company will cease to be a subsidiary of the Company and the Company will cease to have any interest in the Target Company. The financial results of the Disposal Group will no longer be consolidated into the consolidated financial statements of the Group following the Completion.

Assuming no adjustment is made to the Consideration, the Company is expected to record a gain of approximately HK\$209,000 from the Disposal, being the difference between the Consideration of HK\$29,500,000 (assuming no adjustment) and the unaudited consolidated net asset value of the Disposal Group of approximately HK\$29,291,000 as at 31 October 2020. The expected gain on the Disposal is for illustrative purpose only and is subject to audit.

INFORMATION ON THE GROUP

The principal activities of the Group are the organisation and sponsorship of exhibitions and events, operation of cultural and entertainment comprehensive services platform and financing services.

INFORMATION ON THE PURCHASER

The Purchaser, Mr. Feng Zijian (馮子鑾), is a businessman and a PRC citizen.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser is an Independent Third Party.

REASONS FOR THE DISPOSAL AND USE OF PROCEEDS

Having considered the global economic downturn with the recent outbreak of the COVID-19, the recent financial performance of the Disposal Group and based on the relevant market research report on the relevant exhibition industry which the Disposal Group is principally engaged in, the management of the Company is pessimistic about the business prospect of the Disposal Group and considers that the future revenue to be generated from the Disposal Group will decrease in the coming years. Therefore, the Disposal is an appropriate opportunity for the Company to realise its investment in the exhibition business and focus on the cultural and entertainment business before further economic downturn. The contingent consideration payables involved in the Disposal Group will also be transferred to release the pressure on the cash flow of the Group and strengthen the Group's liquidity position.

As such, the Directors consider that the terms of the Agreement are on normal commercial terms and fair and reasonable and are in the interests of the Group and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal is more than 5% but all of them are less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As the Disposal is subject to fulfilment of certain conditions precedent set out in the Agreement and therefor may or may not proceed, Shareholders and investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions shall have the following respective meanings unless the context requires otherwise.

“Agreement”	the sale and purchase agreement dated 19 November 2020 entered into between the Purchaser and the Company in respect of the Disposal
“Board”	the board of Directors
“Business Day(s)”	a day(s) which licensed banks generally are open in Hong Kong for business (excluding Saturday, Sunday or public holiday or any day on which a tropical cyclone warning no. 8 or above is hoisted or a “black” rainstorm warning signal is in effect between 9:00 a.m. and 5:00 p.m. in Hong Kong)
“BVI”	the British Virgin Islands
“Company”	NOVA Group Holdings Limited (諾發集團控股有限公司), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange
“Completion”	completion of the Disposal pursuant to the terms of the Agreement
“Completion Date”	date of Completion which shall be within 5 Business Days after the fulfilment (or as appropriate, waiver) of conditions set out in the Agreement or such other later date as the Company and the Purchaser may mutually agree in writing
“Consideration”	the total consideration for the Sale Share under the Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the entire issued share capital in the Target Company by the Company to the Purchaser pursuant to the Agreement
“Disposal Group”	Target Company, MEIL, Shanghai Mijia Expo and Shanghai Mijia Hema

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third party(ies)”	the independent third party(ies) who is/are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, independent of and not connected with the Company and the connected person(s) (as defined in the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2020 or such other later date as the Company and the Purchaser may mutually agree in writing
“MEIL”	Mega Expo International Limited (米伽會展國際有限公司), a company incorporated in Hong Kong and a direct wholly-owned subsidiary of the Target Company. As at the date of this announcement, MEIL wholly owns Shanghai Mijia Expo and 51% of equity interest in Shanghai Mijia Hemaio respectively
“percentage ratios”	the percentage ratio(s) as defined in Chapter 14 of the Listing Rules
“PRC”	the People’s Republic of China, which shall, for the purpose of this announcement only, exclude Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Mr. Feng Zijian (馮子鑾), a PRC citizen
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Share”	the entire issued share capital of the Target Company

“Share(s)”	ordinary share(s) of HK\$0.002 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Shanghai Mijia Expo”	Shanghai Mijia Expo Co., Ltd. * (上海米伽會展有限公司), a company incorporated in the PRC and a direct wholly-owned subsidiary of MEIL and an indirect wholly-owned subsidiary of the Target Company before Completion
“Shanghai Mijia Hemaο”	Shanghai Mijia Hemaο Exhibition Co., Ltd. * (上海米伽合貿展覽有限公司), a company incorporated in the PRC and a direct subsidiary of MEIL and an indirect subsidiary of the Target Company before Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Mega Exhibition International Limited (米伽展覽國際有限公司), a company incorporated in the BVI and a direct wholly-owned subsidiary of the Company before Completion
“%”	per cent

* For identification purposes only

Translation of Renminbi into Hong Kong dollars is based on the exchange rate of HK\$1 = RMB0.86401.

By Order of the Board
NOVA Group Holdings Limited
Deng Zhonglin
Chairman

Hong Kong, 19 November 2020

As at the date of this announcement, the Board comprises Mr. Deng Zhonglin, Mr. Xu Feng and Mr. Wong Yuk Lun Alan as executive Directors; Ms. Huang Chian Sandy as non-executive Director; and Mr. Choi Hung Fai, Mr. Tsang Wing Ki, Dr. Wong Kong Tin, JP and Mr. Qiu Peiyuan as independent non-executive Directors.