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NOVA Group Holdings Limited

諾發集團控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 1360)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2022

The board (the “**Board**”) of directors (the “**Directors**”) of NOVA Group Holdings Limited (the “**Company**”) presents the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 30 June 2022 (the “**Reporting Year**”) together with comparative figures for the year ended 30 June 2021 (the “**Prior Year**” or “**2021**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	5		
Contracts with customers		56,832	175,447
Interest under effective interest method		55,329	52,622
		<hr/>	<hr/>
Total revenue		112,161	228,069
Cost of sales		(33,227)	(107,109)
		<hr/>	<hr/>
Gross profit		78,934	120,960
Other income	6	2,909	8,543
Other gains and losses	7	(7,808)	(7,468)
Impairment loss on goodwill		(111,418)	(35,947)
Impairment losses under expected credit loss (“ ECL ”) model, net of reversal	8	(45,632)	28,914
Selling expenses		(8,896)	(14,562)
Administrative expenses		(24,904)	(43,695)
		<hr/>	<hr/>

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Operating (loss)/profit		(116,815)	56,745
Finance costs		(4,831)	(21,057)
		<hr/>	<hr/>
(Loss)/profit before tax	7	(121,646)	35,688
Taxation	9	(1,221)	(41,135)
		<hr/>	<hr/>
Loss for the year		(122,867)	(5,447)
		<hr/>	<hr/>
Other comprehensive (expenses)/ income for the year			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		(14,305)	54,681
Release of exchange reserve upon disposal of subsidiaries		–	(1,070)
Release of exchange reserve upon deregistration of subsidiaries		173	(1,627)
		<hr/>	<hr/>
Other comprehensive (expenses)/income for the year		(14,132)	51,984
		<hr/>	<hr/>
Total comprehensive (expenses)/income for the year		(136,999)	46,537
		<hr/> <hr/>	<hr/> <hr/>
Loss for the year attributable to:			
Owners of the Company		(122,867)	(822)
Non-controlling interests		–	(4,625)
		<hr/>	<hr/>
		(122,867)	(5,447)
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive (expenses)/income for the year attributable to:			
Owners of the Company		(136,999)	51,162
Non-controlling interests		–	(4,625)
		<hr/>	<hr/>
		(136,999)	46,537
		<hr/> <hr/>	<hr/> <hr/>
Loss per share attributable to owners of the Company:			
Basic (<i>HK cents</i>)	11	(6.62)	(0.05)
		<hr/>	<hr/>
Diluted (<i>HK cents</i>)		(6.62)	(0.05)
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		327	1,767
Right-of-use assets		2,133	3,463
Intangible assets	<i>12</i>	1,035	2,210
Goodwill	<i>13</i>	129,032	240,450
Factoring receivables	<i>16</i>	–	33,142
Lease receivables	<i>17</i>	–	30,248
Deposits		442	442
Deferred tax assets		11,149	809
		<hr/> 144,118	<hr/> 312,531
Current assets			
Inventories		1,995	3,991
Trade receivables	<i>15</i>	28,399	48,814
Factoring receivables	<i>16</i>	422,145	320,917
Lease receivables	<i>17</i>	16,136	48,896
Loan receivables	<i>18</i>	12,174	21,523
Prepayments, deposits and other receivables		3,441	53,306
Financial assets at fair value through profit or loss (“FVTPL”)	<i>19</i>	1,147	1,950
Income tax receivables		2,270	1,135
Cash and cash equivalents		71,758	69,059
		<hr/> 559,465	<hr/> 569,591

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current liabilities			
Trade payables	20	3,420	8,611
Contract liabilities		1,548	4,360
Accruals and other payables		7,386	12,830
Lease liabilities		1,260	1,311
Corporate bonds	21	40,507	65,813
Income tax payables		2,389	2,852
		<u>56,510</u>	<u>95,777</u>
Net current assets		<u>502,955</u>	<u>473,814</u>
Total assets less current liabilities		<u>647,073</u>	<u>786,345</u>
Non-current liabilities			
Contract liabilities		–	61
Lease liabilities		1,155	2,415
Corporate bonds	21	–	952
		<u>1,155</u>	<u>3,428</u>
Net assets		<u>645,918</u>	<u>782,917</u>
Capital and reserve			
Share capital	22	3,712	3,712
Reserves		642,206	779,205
Total equity		<u>645,918</u>	<u>782,917</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of Cayman Islands and is listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company in Hong Kong is Room 2102, 21/F., Tower One, Lippo Centre, 89 Queensway, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are organisation and sponsorship of exhibitions and events, operation of cultural and entertainment comprehensive services platform and provision of loan and financing.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company. In addition, the functional currencies of certain group entities that operate outside Hong Kong are determined based on the currency of the primary economic environment in which the group entities operate. All values are rounded to the nearest thousand, unless otherwise stated.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 July 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendment to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ²
Amendment to AG 5	Accounting Guideline 5 Merger Accounting for Common Control Combinations (Revised) ¹
Amendments to HKFRS 3	Reference to the Conception Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ¹
HK Interpretation 5 (2020)	Presentation of Financial Statement — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

³ Effective for annual periods beginning on or after a date to be determined.

The Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. SEGMENT INFORMATION

Business segments

Information reported to the management of the Group, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performances focuses on types of services provided.

The operating and reportable segments are as follows:

Exhibitions and events	Organisation and sponsorship of trade shows, exhibitions and events, provision of event planning, sub-contracting, management and ancillary services
Cultural and entertainment	Operation of cultural and entertainment comprehensive services platform, including brand management, solution and consulting services, trading of goods and products promotion services
Financing	Provision of money lending, finance leasing and credit factoring services

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 30 June

	Exhibitions and events		Cultural entertainment		Financing		Total	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Revenue								
Segment revenue	-	177	61,159	198,933	55,329	52,622	116,488	251,732
Inter-segment revenue	-	(55)	(4,327)	(23,608)	-	-	(4,327)	(23,663)
Revenue from external customers	-	122	56,832	175,325	55,329	52,622	112,161	228,069
Results								
Segment results	(1,242)	(31,237)	(113,398)	77,595	16,192	48,954	(98,448)	95,312
Unallocated net loss on financial assets at FVTPL							(803)	(17,976)
Unallocated impairment loss under ECL model, net of reversal							(580)	(8,006)
Unallocated income and other gains and losses							(3,438)	1,393
Unallocated corporate expenses							(13,549)	(14,105)
Finance costs							(4,828)	(20,930)
(Loss)/profit before tax							(121,646)	35,688
Taxation							(1,221)	(41,135)
Loss for the year							(122,867)	(5,447)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

At 30 June

	Exhibitions and events		Cultural entertainment		Financing		Total	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Assets								
Segment assets	596	1,741	172,305	388,727	520,969	470,975	693,870	861,443
Unallocated corporate assets							9,713	20,679
Total reportable segment assets							703,583	882,122
Liabilities								
Segment liabilities	117	152	10,733	19,420	3,407	7,476	14,257	27,048
Unallocated corporate liabilities							43,408	72,157
Total reportable segment liabilities							57,665	99,205

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than corporate assets; and
- all liabilities are allocated to reportable segments other than corporate liabilities.

Other segment information

For the year ended 30 June

	Exhibitions and events		Cultural entertainment		Financing		Unallocated		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	(3)	(65)	(180)	(563)	(74)	(41)	(1,230)	(1,234)	(1,487)	(1,903)
Depreciation of right-of-use assets	(14)	(177)	(152)	(1,017)	-	-	(1,164)	(5,485)	(1,330)	(6,679)
Capital expenditure	-	-	-	(21)	(71)	(36)	-	(160)	(71)	(217)
Net loss on financial assets at FVTPL	-	-	-	-	-	-	(803)	(17,976)	(803)	(17,976)
Net gain on change in fair value of contingent consideration payables	-	-	-	914	-	-	-	-	-	914
Write-off of property, plant and equipment	(2)	-	(16)	(9)	-	-	(2)	-	(20)	(9)
Impairment losses under ECL model, net of reversal	-	8,742	(14,634)	28,128	(30,418)	50	(580)	(8,006)	(45,632)	28,914
Impairment loss on goodwill	-	(29,429)	(111,418)	(6,518)	-	-	-	-	(111,418)	(35,947)
Amortisation of intangible assets	-	-	(1,153)	(5,140)	-	-	-	-	(1,153)	(5,140)

Geographical segments

The Group's operations are located in Hong Kong and the People's Republic of China (the "PRC").

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from External customers Year ended 30 June		Non-current assets As at 30 June	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Hong Kong	1,593	1,640	2,232	4,627
The PRC	110,568	226,429	1,263	2,813
	112,161	228,069	3,495	7,440

Note: Non-current assets excluded goodwill, financial instruments and deferred tax assets.

Information about major customers

There was no customer of the Group whose transactions have exceeded 10% of the Group's revenue for both the years ended 30 June 2022 and 2021.

5. REVENUE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers:		
Organisation and sponsorship of exhibitions, event planning and related services	–	122
Brand management	4,932	10,389
Promotion and consulting services	17,053	60,373
Trading of goods	34,847	104,563
	<u>56,832</u>	<u>175,447</u>
Interest under effective interest method:		
Financing income		
— Credit factoring services	48,295	41,665
— Finance leasing services	5,441	9,317
— Money lending services	1,593	1,640
	<u>55,329</u>	<u>52,622</u>
Total	<u><u>112,161</u></u>	<u><u>228,069</u></u>
Timing of revenue recognition:		
At a point in time	38,604	131,443
Over time	18,228	44,004
	<u>56,832</u>	<u>175,447</u>
Revenue from contracts with customers	<u>56,832</u>	<u>175,447</u>
Revenue from other sources	<u>55,329</u>	<u>52,622</u>
Total	<u><u>112,161</u></u>	<u><u>228,069</u></u>

6. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-refundable trade deposits forfeited	411	902
Government grants (<i>Note</i>)	2,211	7,281
Dividend income	10	–
Interest income	64	163
Sundry income	213	197
	<u>2,909</u>	<u>8,543</u>

Note: The government grants represent subsidy income received from various government authorities as incentive to certain subsidiaries of the Group in Hong Kong and the PRC.

7. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax has been arrived at after charging/(crediting):

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Staff costs:		
Employee benefits expenses (including directors' emoluments)		
— Salaries, allowance and other benefit	15,865	26,619
— Retirement benefit scheme contributions	2,530	1,668
	<u>18,395</u>	<u>28,287</u>
Other items:		
Amortisation of intangible assets (<i>Note 12</i>)	1,153	5,140
Depreciation of:		
— property, plant and equipment	1,487	1,903
— right-of-use assets	1,330	6,679
Auditor's remuneration		
— Audit services	1,150	1,150
— Non-audit services	240	240
Cost of inventories recognised in cost of sales	30,640	83,642
Lease expenses on short-term leases	1,022	1,446
	<u>803</u>	<u>17,976</u>
Other (gains) and losses:		
Net loss on financial assets at FVTPL:		
Net realised loss on disposal of financial assets at FVTPL	–	3,463
Unrealised (gain)/loss on fair value change of financial assets at FVTPL (<i>Note 19</i>)	(36)	12,950
Loss on fair value change of early redemption right (<i>Note 19</i>)	839	1,563
	<u>803</u>	<u>17,976</u>
Net loss on financial assets at FVTPL	803	17,976
Net exchange gains	(2,132)	(6,204)
Net gain on change in fair value of contingent consideration payables	–	(914)
Gain on derecognition of lease	–	(225)
Write-off of property, plant and equipment	20	9
Gain on disposal of subsidiaries	–	(2,412)
Loss/(gain) on deregistration of subsidiaries	173	(4,630)
Gain on early redemption of corporate bond (<i>Note 21</i>)	(381)	(9,040)
Loss on non-substantial modification of corporate bond (<i>Note 21</i>)	4,700	12,908
Loss on modification of factoring loans (<i>Note 16</i>)	4,625	–
	<u>7,808</u>	<u>7,468</u>

8. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Impairment losses/(reversal of impairment losses) recognised on:		
— Trade receivables (<i>Note 15</i>)	14,634	(36,871)
— Other receivables	580	8,006
— Factoring receivables (<i>Note 16</i>)	27,042	(9)
— Lease receivables (<i>Note 17</i>)	3,392	(76)
— Loan receivables (<i>Note 18</i>)	(16)	36
	<u>45,632</u>	<u>(28,914)</u>

9. TAXATION

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax:		
— PRC Enterprise Income Tax	11,254	19,035
— Withholding tax on remitted earnings	1,205	22,474
	<u>12,459</u>	41,509
Overprovision in prior years:		
— PRC Enterprise Income Tax	(547)	(447)
Deferred tax (credit)/expense:		
— Current year	(10,691)	73
Total income tax expense	<u>1,221</u>	<u>41,135</u>

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision for Hong Kong Profits Tax has been made since the Group has no estimated assessable profits for the year ended 30 June 2022 and has sufficient tax loss brought forward to set-off against estimated assessable profits for the year ended 30 June 2021.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries of the Group in the PRC is 25% for the years ended 30 June 2022 and 2021.

Pursuant to the EIT Law and its implementation rules, dividends declared in respect of profit earned by the PRC subsidiaries, and royalty receivable by non-PRC corporate residents from the PRC enterprises are subject to a withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements.

10. DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2022 (2021: HK\$Nil).

11. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss		
Loss attributable to owners of the Company	<u>122,867</u>	<u>822</u>
	2022 <i>'000</i>	2021 <i>'000</i>
Number of shares		
Number of/weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>1,855,903</u>	<u>1,778,994</u>

For the years ended 30 June 2022 and 2021, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options as the exercise prices of the share options were higher than the average market price of the shares of the Company. The basic and diluted loss per share were the same for the years ended 30 June 2022 and 2021.

12. INTANGIBLE ASSETS

	Exhibition holding right <i>HK\$'000</i>	Trademarks and brands <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost			
At 1 July 2020	16,720	27,443	44,163
Disposal of subsidiaries	(16,720)	–	(16,720)
Exchange realignment	–	2,675	2,675
	<hr/>	<hr/>	<hr/>
At 30 June 2021 and 1 July 2021	–	30,118	30,118
Exchange realignment	–	(791)	(791)
	<hr/>	<hr/>	<hr/>
At 30 June 2022	–	29,327	29,327
	<hr/>	<hr/>	<hr/>
Accumulated amortisation and impairment			
At 1 July 2020	9,243	20,629	29,872
Charge for the year	–	5,140	5,140
Eliminated on disposal of subsidiaries	(9,243)	–	(9,243)
Exchange realignment	–	2,139	2,139
	<hr/>	<hr/>	<hr/>
At 30 June 2021 and 1 July 2021	–	27,908	27,908
Charge for the year (<i>Note 7</i>)	–	1,153	1,153
Exchange realignment	–	(769)	(769)
	<hr/>	<hr/>	<hr/>
At 30 June 2022	–	28,292	28,292
	<hr/>	<hr/>	<hr/>
Carrying amounts			
At 30 June 2022	–	1,035	1,035
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 June 2021	–	2,210	2,210
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Particulars regarding impairment testing on intangible assets are disclosed in Note 14.

13. GOODWILL

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost		
At the beginning of the year	291,416	314,541
Disposal of subsidiaries	–	(23,125)
At the end of the year	<u>291,416</u>	<u>291,416</u>
Accumulated impairment losses		
At the beginning of the year	50,966	38,144
Impairment loss recognised in profit or loss	111,418	35,947
Eliminated on disposal of subsidiaries	–	(23,125)
At the end of the year	<u>162,384</u>	<u>50,966</u>
Carrying amounts	<u><u>129,032</u></u>	<u><u>240,450</u></u>

Particulars regarding impairment testing on goodwill are disclosed in Note 14.

14. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS

For the purpose of impairment testing, goodwill and intangible assets that generate cash flows together with the related goodwill set out in notes to the consolidated financial statements have been allocated to four individual cash generating units (“CGUs”) (2021: four), comprising subsidiaries in Fortune Selection Group cash generating units (“**Fortune Selection CGU**”) engaged in provision of brand management and related services, subsidiaries in Cheer Sino Group cash generating units (“**Cheer Sino CGU**”) engaged in provision of promotion and consulting services, subsidiaries in the CIS Group (“**CIS CGU**”) and subsidiaries in Hananhal Group (“**Hananhal CGU**”) engaged in provision of financing services. The carrying amounts of goodwill and intangible assets (net of accumulated impairment losses) as at 30 June 2022 and 2021 were allocated to these CGUs are respectively as follows:

	Goodwill		Intangible assets	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Fortune Selection CGU	2,087	31,836	1,035	2,210
Cheer Sino CGU	126,511	208,180	–	–
CIS CGU	334	334	–	–
Hananhal CGU	100	100	–	–
Total	<u><u>129,032</u></u>	<u><u>240,450</u></u>	<u><u>1,035</u></u>	<u><u>2,210</u></u>

During the year ended 30 June 2022, with reference to the professional valuation performed by the Peak Vision Appraisals Limited (“**Peak Vision**”), the management of the Group has determined that an impairment loss of approximately HK\$111,418,000 (2021: approximately HK\$35,947,000) arose in relation to goodwill allocated to certain groups of CGUs. There were no material changes in the methodology and sources of market data applied in the valuation between the Reporting Year and the Prior Year. After reviewing the performance of Fortune Selection CGU and Cheer Sino CGU in the Reporting Year, the management of the Group revised the carrying amounts of Fortune Selection CGU and Cheer Sino CGU downwards based on cash flow forecasts. The cash flow forecasts, growth rates and discount rate as at 30 June 2022 have been reassessed taking into consideration higher degree of estimation uncertainties due to how the coronavirus disease 2019 (“**COVID-19**”) pandemic may progress and evolve.

15. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables from contracts with customers	42,642	49,652
Less: Impairment allowance	<u>(14,243)</u>	<u>(838)</u>
	<u>28,399</u>	<u>48,814</u>

The Group has a policy of allowing trade customers with credit terms of normally within 90 days except for trading of goods which credit terms are normally 1 to 6 months. Settlement is made in accordance with the terms specified in the contracts governing the relevant transactions. The Group does not hold any collateral or other credit enhancement over its trade receivables balances. The ageing analysis of trade receivables net of impairment allowance as at the end of reporting period, based on dates on which services rendered/ invoice dates, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	1,880	8,638
31–60 days	546	7,729
61–90 days	252	8,389
91–180 days	7,596	14,370
181–365 days	16,365	9,678
Over 1 year	<u>1,760</u>	<u>10</u>
	<u>28,399</u>	<u>48,814</u>

The ageing analysis of the trade receivables which are past due but not yet impaired is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	1,937	6,019
31–60 days	2,103	4,902
61–90 days	3,402	1,878
91–180 days	9,188	3,758
181–365 days	5,124	10
Over 1 year	221	–
	<u>21,975</u>	<u>16,567</u>

The movements in impairment allowance on trade receivables are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At the beginning of the year	838	37,229
Amounts recognised/(reversed) during the year, net	14,634	(36,871)
Amounts written off	(780)	–
Eliminated on disposal of subsidiaries	–	(2,119)
Exchange realignment	(449)	2,599
	<u>14,243</u>	<u>838</u>

16. FACTORING RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Factoring receivables	447,695	349,328
Interest receivables from factoring receivables	1,113	5,199
Less: Impairment allowance	(26,663)	(468)
	<u>422,145</u>	<u>354,059</u>
Analysis for reporting purposes as:		
Current assets	422,145	320,917
Non-current assets	–	33,142
	<u>422,145</u>	<u>354,059</u>

At the end of the reporting period, the ageing analysis of factoring receivables, net of impairment allowance, based on the maturity dates of the contracts, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	39,729	8,852
31–90 days	114,842	42,073
91–365 days	267,574	269,992
Over 1 year	–	33,142
	<u>422,145</u>	<u>354,059</u>

The factoring receivables granted to customers are measured at amortised cost and generally for a period of 6 months to 3 years. The effective interest rates of factoring receivables as at 30 June 2022 ranging from 8.57% to 17.06% (2021: 7.76% to 15.00%) per annum.

During the Reporting Year, the Group has renegotiated the contractual terms with factoring arrangement customers to waive their interest or extent the repayment. Based on the assessment performed by the Group, all factoring receivables are regarded as non-substantial modification. The amortised cost before the modification of receivables was approximately HK\$453,433,000 and the modification loss amounting to approximately HK\$4,625,000 was recorded in profit or loss for the year ended 30 June 2022. As at 30 June 2022 and 2021, no factoring receivables were past due.

The movements in impairment allowance on factoring receivables are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At the beginning of the year	468	435
Amounts recognised/(reversed) during the year, net	27,042	(9)
Exchange realignment	(847)	42
	<u>26,663</u>	<u>468</u>

17. LEASE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Lease receivables from sale-leaseback transactions	19,479	79,201
Less: Impairment allowance	(3,343)	(57)
	<u>16,136</u>	<u>79,144</u>
Analysis for reporting purposes as:		
Current assets	16,136	48,896
Non-current assets	–	30,248
	<u>16,136</u>	<u>79,144</u>

At the end of the reporting period, the ageing analysis of lease receivables from sale-leaseback transactions, net of impairment allowance, based on the maturity date of the contracts, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within one year	16,136	48,896
More than one year but not exceeding two years	–	29,809
More than two years but not exceeding three years	–	439
	<u>16,136</u>	<u>79,144</u>

All leases are denominated in Renminbi (“RMB”). Lease receivables from sale-leaseback transactions are measured at amortised cost and generally for periods of 1.25 to 3 years. The effective interest rate of the lease receivables from sale-leaseback transactions as at 30 June 2022 ranging from 7.17% to 10.00% (2021: 7.97% to 11.96%) per annum. As at 30 June 2022 and 2021, no lease receivables from sale-leaseback transactions were past due.

The movements in impairment allowance on lease receivables from sale-leaseback transactions are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At the beginning of the year	57	124
Amounts recognised/(reversed) during the year, net	3,392	(76)
Exchange realignment	(106)	9
	<u>3,343</u>	<u>57</u>

18. LOAN RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loan receivables	12,000	21,200
Interest receivables from loan receivables	194	359
Less: Impairment allowance	(20)	(36)
	<u>12,174</u>	<u>21,523</u>

Loan receivables granted to customers are measured at amortised cost and generally for periods of 6 to 12 months. The loan receivables are unsecured with the effective interest rates of 8.00% (2021: ranging from 10.00% to 20.00%) per annum as at 30 June 2022. As at 30 June 2022 and 2021, no loan receivables were past due.

At the end of the reporting period, the ageing analysis of loan receivables, net of impairment allowance, based on the maturity date in contracts, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	90	183
31–90 days	103	175
91–365 days	<u>11,981</u>	<u>21,165</u>
	<u><u>12,174</u></u>	<u><u>21,523</u></u>

The movements in impairment allowance on loan receivables are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At the beginning of the year	36	–
Amounts (reversed)/recognised during the year, net	<u>(16)</u>	<u>36</u>
At the end of the year	<u><u>20</u></u>	<u><u>36</u></u>

19. FINANCIAL ASSETS AT FVTPL

Details of financial assets at FVTPL are as follow:

	Early redemption right <i>HK\$'000</i>	Equity securities listed in Hong Kong <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2020	3,280	25,727	29,007
Disposal	–	(12,544)	(12,544)
Loss on change in fair value	<u>(1,563)</u>	<u>(12,950)</u>	<u>(14,513)</u>
At 30 June 2021 and 1 July 2021	1,717	233	1,950
(Loss)/gain on change in fair value (<i>Note 7</i>)	<u>(839)</u>	<u>36</u>	<u>(803)</u>
At 30 June 2022	<u><u>878</u></u>	<u><u>269</u></u>	<u><u>1,147</u></u>

The investment in equity securities listed in Hong Kong is for short to medium term trading purpose. The Group hold 43,315,000 shares of China U-Ton Future Space Industrial Group Holdings Ltd. (“**China U-Ton**”) (stock code: 6168.HK) as at 30 June 2022 and 2021, which the fair value was assessed by the Directors with reference to Peak Vision. The Stock Exchange has suspended the trading of China U-Ton’s shares since 5 May 2021. The Group plans to dispose of the shares after its resumption of trading.

20. TRADE PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	<u>3,420</u>	<u>8,611</u>

The following is an ageing analysis of trade payables presented on the basis of the dates of the invoices at the end of reporting period:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	1,455	212
31–60 days	–	5,011
61–90 days	–	252
91–180 days	–	777
181–365 days	14	1,029
Over 1 year	<u>1,951</u>	<u>1,330</u>
	<u>3,420</u>	<u>8,611</u>

The average credit period ranging from 0–180 days.

21. CORPORATE BONDS

The carrying amount of corporate bonds recognised at the end of the reporting period was calculated as follows:

	Unlisted bond ("Bond I") <i>HK\$'000</i>	Unlisted bond ("Bond II") <i>HK\$'000</i>	Unlisted bond ("Bond III") <i>HK\$'000</i>	Unlisted bond ("Bond IV") <i>HK\$'000</i>	Unlisted bond ("Bond V") <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2020	2,785	915	1,866	1,921	304,781	312,268
Redemption	–	–	–	(2,000)	(240,000)	(242,000)
Gain on early redemption	–	–	–	–	(9,040)	(9,040)
Loss on non-substantial modification	–	–	–	–	12,908	12,908
Effective interest expenses	298	99	225	105	19,467	20,194
Less: interest paid	<u>(188)</u>	<u>(62)</u>	<u>(125)</u>	<u>(26)</u>	<u>(27,164)</u>	<u>(27,565)</u>
At 30 June 2020 and 1 July 2021	2,895	952	1,966	–	60,952	66,765
Redemption	(3,000)	–	(2,000)	–	(24,000)	(29,000)
Gain on early redemption (<i>Note 7</i>)	–	–	–	–	(381)	(381)
Loss on non-substantial modification (<i>Note 7</i>)	–	–	–	–	4,700	4,700
Effective interest expenses	293	104	52	–	4,076	4,525
Less: interest paid	<u>(188)</u>	<u>(62)</u>	<u>(18)</u>	<u>–</u>	<u>(5,834)</u>	<u>(6,102)</u>
At 30 June 2022	<u>–</u>	<u>994</u>	<u>–</u>	<u>–</u>	<u>39,513</u>	<u>40,507</u>

Analysis for reporting purposes as:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current liabilities	40,507	65,813
Non-current liabilities	–	952
	<u>40,507</u>	<u>66,765</u>

Note:

On 5 November 2021, the Company executed a supplemental deed poll for Bond V with principal amount of HK\$36,000,000 to modify the maturity date from 7 November 2021 to 7 May 2022. On 6 May 2022, the Company executed a supplemental deed poll for the Bond V with principal amount of HK\$36,000,000 to modify the maturity date from 7 May 2022 to 31 December 2022. Based on the assessments performed by the Group, the modifications are regarded as non-substantial modifications. The losses on modification of corporate bond of approximately HK\$3,225,000 and HK\$1,475,000 are recognised in profit or loss at each of the dates of modification respectively.

During the year ended 30 June 2022, the Group has early redeemed part of Bond V with principal amount of HK\$24,000,000 (2021: HK\$240,000,000).

22. SHARE CAPITAL

	Par value <i>HK\$</i>	Number of ordinary shares	Nominal value of ordinary shares <i>HK\$'000</i>
Authorised:			
At 1 July 2020, 30 June 2021, 1 July 2021 and 30 June 2022	<u>0.002</u>	<u>5,000,000,000</u>	<u>10,000</u>
Issued and fully paid:			
At 1 July 2020	0.002	1,521,873,223	3,044
Placing of shares (<i>Note a</i>)	0.002	292,500,000	585
Conversion of convertible notes (<i>Note b</i>)	0.002	41,530,054	83
At 30 June 2021, 1 July 2021 and 30 June 2022	<u>0.002</u>	<u>1,855,903,277</u>	<u>3,712</u>

Notes:

- (a) On 24 July 2020, the Company entered into a placing agreement (the “**Placing Agreement**”) with a placing agent pursuant to which the Company had conditionally agreed to place, through the placing agent on a best effort basis, up to 292,500,000 placing shares (the “**Placing Share(s)**”) of the Company at a placing price of HK\$0.13 per Placing Share to not less than six placees who are professional, institutional or other investors that are third parties independent of the Company and its connected persons. The Placing Shares would be allotted and issued pursuant to the general mandate approved by the shareholders of the Company at the annual general meeting of the Company held on 6 December 2019. On 20 August 2020, a total of 292,500,000 ordinary shares were issued pursuant to the terms and conditions of the Placing Agreement.

- (b) On 24 June 2021, the third convertible notes with a principal amount of HK\$76,000,000 were converted into 41,530,054 shares at a conversion price of HK\$1.83 per ordinary share. The convertible notes were issued to the vendor upon the fulfilment of the profit guarantee for the three-year period ended 31 December 2020 relating to the acquisition of the entire equity interests of Cheer Sino Group.

23. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to confirm with the presentation for the year.

24. EVENTS AFTER THE REPORTING PERIOD

There is no significant event affecting the Company that have occurred since the end of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the organisation and sponsorship of exhibitions and events, the operation of cultural and entertainment comprehensive services platform and provision of loan and financing services.

Revenue and segment results of the Group for the Reporting Year and the Prior Year are set out as follows:

	For the year ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Revenue		
Exhibitions and events	–	122
Cultural and entertainment	56,832	175,325
Financing	55,329	52,622
	<u>112,161</u>	<u>228,069</u>
Segment (loss)/profit from		
Exhibitions and events	(1,242)	(31,237)
Cultural and entertainment	(113,398)	77,595
Financing	16,192	48,954
	<u>(98,448)</u>	<u>95,312</u>

Exhibitions and Events Business

The exhibition industry continued to suffer from the COVID-19 pandemic. The Group is on its knees under stringent quarantine control. Under such a prevailing environment, the Group has not launched any exhibition during the Reporting Year and has decided to suspend the exhibition and events business.

No revenue from the exhibitions and events business was recorded for the Reporting Year (2021: approximately HK\$0.12 million). It represented 0% (2021: approximately 0.05%) of the total revenue.

Cultural and Entertainment Business

The overall cultural and entertainment business performance was weak since the outbreak of COVID-19 pandemic. Epidemic prevention measures and social distancing policy introduced by the PRC government have a significant impact on the industry. The Group has decided to suspend the brand marketing on “PHEBE”, “MT” and “U.CLUB” and focus on “DrOscar” only. We might not continue to develop new brands for brand management. We understand from the market that the development of brand management is not a trend nowadays.

Although the business in 諾笛聯盟平台 (transliterated as “**NOD Union Platform**” or “**NOD Union**”) is weak these years, it is still a core competitive edge of the Group. We believe that it is important to go through the economic difficulties with our NOD Union members together. When the COVID-19 pandemic issue is under control, we will restart the promotion of NOD Union again.

As for the trading business (mainly trading of wine and liquors), we had over a hundred customers, which most of the revenue came from our existing or previous NOD Union members and customers in brand management. The Group discussed and negotiated the cost with distributors during the contract period, and we determine the selling price ourselves in a range of the suggested selling price offered by the distributors. A manageable level of inventory is maintained to lower the inventory risk and the burden of the credit period. The Group will continue to explore new wine distributors to enable us to grow in the industry.

Affected by many factors such as the economic devastation brought by the outbreak of the COVID-19 pandemic, many of our customers experienced significant reductions in revenue, and most of the restaurants and entertainment stores were temporarily closed for a period longer than initially expected. Most of the NOD Union members were forced to cease operation due to the pandemic prevention measures.

Revenue from cultural and entertainment business has decreased by approximately HK\$118.50 million, or approximately 67.59%, from approximately HK\$175.33 million for the Prior Year to approximately HK\$56.83 million for the Reporting Year and the prospect of income is uncertain in the following few years. It represented approximately 50.67% (2021: approximately 76.88%) of the total revenue.

Cultural and entertainment comprehensive services platform are currently divided into the following components:

	<i>Notes</i>	For the year ended 30 June	
		2022	2021
		HK\$'000	<i>HK\$'000</i>
Brand management and related services	<i>i</i>	4,932	10,389
Promotion and consulting services	<i>ii</i>	17,053	60,373
Trading of goods	<i>iii</i>	34,847	104,563
		56,832	175,325

Notes:

i. Brand management and related services

Providing brand management and related services under the brand names of “PHEBE”, “MT”, “U.CLUB” and “DrOscar”.

ii. Promotion and consulting services

Providing product promotion services, systematic entertainment solution and advisory services, including entertainment management consulting, event planning, online marketing; and other ad hoc consultancy services.

iii. Trading of goods

Trading of wine and liquor, e-cigarettes and daily supplies to entertainment stores and NOD Union members, which selling wine and liquors represent approximately 99.35% of the trading business.

Financing Business

Due to the COVID-19 outbreak and the ensuing city-wide lockdown in Shanghai, business operations and cashflows of customers have been negatively affected. In response to the Shanghai government’s call to alleviate the operating pressure, and to provide support for the resumption of production and business of, the enterprise, with a view to navigating through challenges amid the COVID-19 pandemic with collective effort, the Group has granted a waiver of three-month interests to those customers located in Shanghai, which is shown as loss on modification of factoring loans of approximately HK\$4.63 million in other gains and losses. As a result of the uncertain environment in cultural and entertainment business, the Group did not sign any new finance lease agreements to control the risk.

The Group has credit policy and loan approval process to minimise credit risks. The interest rate range has been adjusted during the Reporting Year due to the market changes. Compared with the other two segments, the result from our financing business is encouraging, the Group will continue to explore new customer bases.

Revenue from financing business has increased by approximately HK\$2.71 million, or approximately 5.15%, from approximately HK\$52.62 million for the Prior Year to approximately HK\$55.33 million for the Reporting Year. It represented approximately 49.33% (2021: approximately 23.07%) of the total revenue.

The financing business is currently divided into the following components:

	<i>Notes</i>	For the year ended 30 June	
		2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
Credit factoring	<i>i</i>	48,295	41,665
Finance leasing	<i>ii</i>	5,441	9,317
Money lending	<i>iii</i>	1,593	1,640
		55,329	52,622
		55,329	52,622

Notes:

i. Credit factoring

Credit factoring allows customers to free up cash tied up in unpaid invoices. The finance period given to customers ranges from 6 months to 3 years and the finance services allow customers to release up to 80% of the invoice value.

ii. Finance leasing

The Group focused on expanding its small and medium-sized leasing from sale and leaseback business and centering on the cultural and entertainment customers. The financing period given to customers ranges from 1.25 to 3 years.

iii. Money lending

Providing pledged and non-pledged money lending to individuals to maximise customer value. The financing period given to customers ranges from 6 to 12 months.

FINANCIAL REVIEW

During the Reporting Year, the Group has recorded approximately HK\$112.16 million in revenue, representing a decrease of approximately 50.82% as compared with that in the Prior Year of approximately HK\$228.07 million. Operating loss for the Reporting Year was approximately HK\$116.82 million as compared with an operating profit of approximately HK\$56.75 million for the Prior Year. Net loss for the Reporting Year was approximately HK\$122.87 million, representing an increase of approximately 21.54 times as compared with the net loss in the Prior Year of approximately HK\$5.45 million. The increase in net loss was mainly attributable to the impairment loss on goodwill and impairment losses under ECL model, net of reversal.

The following table sets forth a summary of the performance of the Group for the Reporting Year with comparative figures for the Prior Year as follows:

	For the year ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	112,161	228,069
Operating (loss)/profit	(116,815)	56,745
Operating (loss)/profit margin (%)	(104.15)%	24.88%
Net gain on change in fair value of contingent consideration payables	–	914
Net loss on financial assets at FVTPL	(803)	(17,976)
Impairment loss on goodwill	(111,418)	(35,947)
Impairment losses under ECL model, net of reversal	(45,632)	28,914
Loss for the year	(122,867)	(5,447)

Revenue

The revenue has decreased by approximately HK\$115.91 million, or approximately 50.82%, from approximately HK\$228.07 million for the Prior Year to approximately HK\$112.16 million for the Reporting Year. The reduction was mainly attributable to the decrease in the revenue of cultural and entertainment segment of approximately HK\$118.50 million and no revenue from exhibitions and events segment was recorded due to the outbreak of COVID-19 pandemic.

Other Gains and Losses

The net other losses has increased by approximately HK\$0.34 million, or approximately 4.55%, from net other losses of approximately HK\$7.47 million for the Prior Year to net other losses of approximately HK\$7.81 million for the Reporting Year.

The Group's loss on financial assets at FVTPL has decreased significantly to approximately HK\$0.80 million, or approximately 95.55% for the Reporting Year (2021: loss of approximately HK\$17.98 million), primarily due to an unrealised loss from an investment in a Hong Kong listed equity security of approximately HK\$13.00 million was recorded for the Prior Year, as trading of its shares has been suspended by the Stock Exchange since 5 May 2021. The fair value was assessed by the Directors with reference to the professional valuation carried out by Peak Vision, an independent qualified professional valuer.

During the Reporting Year, the Group recognised loss on modification of factoring loans of approximately HK\$4.63 million due to the waiver of three-month interests to customers affected by the city-wide lockdown in Shanghai.

Impairment Loss on Goodwill

During the Reporting Year, the Group recognised impairment loss on goodwill of approximately HK\$111.42 million, of which approximately HK\$81.67 million was for Cheer Sino CGU and approximately HK\$29.75 million was for Fortune Selection CGU, due to the risk of uncertain developments in the economic condition.

Many of our customers experienced significant reductions in revenue due to the economic devastation brought by the outbreak of COVID-19 pandemic. Most of the restaurants and entertainment stores were temporarily closed for a period longer than initially expected. The prospect of relevant income is uncertain in the following few years. The impairment loss on goodwill arose as a result of the less than satisfactory past and expected performance of the Cheer Sino CGU and Fortune Selection CGU.

Impairment Losses under ECL Model, Net of Reversal

During the Reporting Year, the Group recognised impairment losses under ECL model, net of reversal of approximately HK\$45.63 million. The impairment assessment under ECL model is performed individually or based on a provision matrix. The credit risk has increased significantly as there is a higher risk that a prolonged pandemic could let to increased credit default rates. The ECLs are estimated based on the probability of default and loss given default and are adjusted for forward-looking information that is reasonable and supportable available without undue costs or effort.

Selling and Administrative Expenses

The Group's selling expenses has decreased by approximately HK\$5.66 million, or approximately 38.87%, from approximately HK\$14.56 million for the Prior Year to approximately HK\$8.90 million for the Reporting Year. The Group's administrative expenses has decreased by approximately HK\$18.80 million, or approximately 43.02%, from approximately HK\$43.70 million for the Prior Year to approximately HK\$24.90 million for the Reporting Year. Such decrease was primarily due to the cost control measures taken by the Group.

Operating Loss and Operating Loss Margin

As a result of the foregoing, the Group's operating loss for the Reporting Year was approximately HK\$116.82 million, as compared with an operating profit of approximately HK\$56.75 million for the Prior Year. The Group had an operating loss margin of approximately 104.15% for the Reporting Year, as compared with an operating profit margin of approximately 24.88% for the Prior Year. The change of operating profit into operating loss was mainly due to the decrease in revenue, increase in impairment loss on goodwill and impairment losses under ECL model, net of reversal led by the outbreak of COVID-19 pandemic.

Finance Costs

The Group's finance costs has decreased by approximately HK\$16.23 million, or approximately 77.07%, from approximately HK\$21.06 million for the Prior Year to approximately HK\$4.83 million for the Reporting Year. Such decrease was mainly due to the redemption of corporate bonds during the Reporting Year and less interest expenses was needed.

Loss for the Year Attributable to the Owners of the Company

The Group's loss for the year attributable to the owners of the Company has increased by approximately HK\$122.05 million, or approximately 148.84 times, from approximately HK\$0.82 million for the Prior Year to approximately HK\$122.87 million for the Reporting Year.

SIGNIFICANT INVESTMENTS

Save as disclosed in this announcement, the Group did not hold any significant investments during the Reporting Year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL RESOURCES

As at 30 June 2022, the Group's total current assets and current liabilities were approximately HK\$559.47 million (2021: approximately HK\$569.59 million) and approximately HK\$56.51 million (2021: approximately HK\$95.78 million), respectively, while the current ratio was about 9.90 times (2021: about 5.95 times).

As at 30 June 2022, the Group maintained cash and cash equivalents of approximately HK\$71.76 million (2021: approximately HK\$69.06 million). The cash and cash equivalents of the Group as at 30 June 2022 was mainly denominated in HK\$ and RMB.

Equity securities listed in Hong Kong classified as financial assets at FVTPL with carrying amount of approximately HK\$269,000 are placed in margin accounts of a regulated securities broker. No margin facility was utilised as at 30 June 2022.

Contingent Liabilities

As at 30 June 2022 and 2021, the Group did not have any material contingent liabilities.

Capital Commitments

As at 30 June 2022 and 2021, the Group had no material capital commitments contracted but not provided.

Capital Structure

As at 30 June 2022, the Company's issued share capital was approximately HK\$3.71 million (2021: approximately HK\$3.71 million) with 1,855,903,277 (2021: 1,855,903,277) ordinary shares of HK\$0.002 each in issue.

Borrowings

In the foreseeable future, the Group expects to fund its capital expenditures, working capital and other capital requirements from the internal resources and other financing means which the Company may from time to time consider appropriate. As at 30 June 2022, the Group's borrowings was approximately HK\$40.51 million (2021: approximately HK\$66.77 million).

	As at 30 June	
	2022	2021
	HK\$'000	HK\$'000
Borrowings		
Within 1 year	40,507	65,813
Over 1 year and within 5 years	–	952
	<hr/>	<hr/>
Total	<u>40,507</u>	<u>66,765</u>

The Group manages its capital to safeguard the Group's ability to continue as a going concern while maximising the return to shareholders of the Company through maintaining the equity and debt in a balanced position. As at 30 June 2022, the borrowings of approximately HK\$40.51 million were unsecured and fixed rate interest bearing debt securities.

The gearing ratio is the ratio of total debt divided by total assets. As at 30 June 2022, the gearing ratio was approximately 5.76% (2021: approximately 7.57%).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2022.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures during the Reporting Year.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the Reporting Year (2021: HK\$Nil).

EVENT AFTER THE REPORTING PERIOD

The Group has no significant event after the end of the Reporting Year up to the date of this announcement.

FUTURE PLANS AND PROSPECTS

The outbreak of the COVID-19 pandemic has forced the Group to review and recalibrate its development strategies and planning based on assessments of the actual and potential impacts of the pandemic. The overdue percentage of trade receivables has increased and most of the factoring and finance lease customers settled their respective payment during the grace period or even later. The credit risk has increased and higher than our expectation.

As the COVID-19 pandemic is still an ongoing issue, the Company believes that the Group's business environment will continue to be challenging under the stress of pandemic prevention and control in the short to medium term, we will continue to monitor the risk factors and re-assess the client's recoverability when needed. As more people joined the COVID-19 vaccination programme, the Company expects the revenue will be improved after the COVID-19 pandemic is under control in the long term.

Looking ahead into the coming year, the Group continues to closely monitor the development of the COVID-19 pandemic and will take all possible and reasonable measures to mitigate the effect on the Group's operation.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

There was no equity fund raising activity of the Company during the last 12 months prior to the date of this announcement.

FOREIGN EXCHANGE EXPOSURE

The Group manages or operates its business in Hong Kong and the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars and RMB. The Group has no significant direct exposure to foreign currencies as most of the commercial transactions, assets and liabilities are denominated in a currency same as the functional currency of each entity of the Group and has not employed any financial instruments for hedging purpose.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group had a total of 96 full-time employees in Hong Kong and the PRC (2021: 97 full-time employees). The remuneration payable to its employees included salaries, discretionary bonus and commissions. Remuneration packages were generally structured according to market situations and individual performance. Apart from the mandatory provident fund and statutory retirement benefits, the Group also provided medical benefits and trainings to its employees. The Company has also adopted a share option scheme as incentive to eligible employees.

Furthermore, the remuneration committee of the Board will review and give recommendations to the Board as to the remuneration packages of the Directors and senior management of the Group with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management of the Group.

The total remuneration paid to employees, including the Directors, for the Reporting Year was approximately HK\$18,395,000 (2021: approximately HK\$28,287,000). Remuneration is determined by reference to market terms and the performance, qualification and experience of each individual employee.

CORPORATE GOVERNANCE PRACTICES AND COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and adopted all code provisions, where applicable, as set out in the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 14 to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange as its own code of corporate governance.

The Company reviews its corporate governance practices regularly to ensure compliance with the CG Code. During the Reporting Year, the Company has applied the principles and complied with all applicable code provisions as set out in the CG Code except for the following deviations:

- Pursuant to code provision A.2.1 (now rearranged as C.2.1) of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The chairman provides leadership for the board and ensures that the board works effectively and performs its responsibilities whilst the chief executive officer has overall chief executive responsibilities for business development and day-to-day management generally.

Mr. Deng Zhonglin, being the chairman of the Board (the “**Chairman**”), was appointed as the chief executive officer of the Company (the “**CEO**”) on 31 May 2021. In view of the current rapid development of the Group, the Board believes that vesting the roles of both the Chairman and the CEO in the same person can facilitate the execution of the Group’s business strategies and boost effectiveness of its operation. In addition, under the supervision of the Board which is comprised of two executive Directors, one non-executive Director and three independent non-executive Directors, the Board is appropriately structured with a balance of power to provide sufficient checks and supervision to protect the interests of the Company and its shareholders. The Company may seek to re-comply with code provision A.2.1 (now rearranged as C.2.1) by identifying and appointing a suitable and qualified candidate to the position of the CEO in due course by considering the business needs and developments of the Group.

Except for the above deviations from the CG Code, the Board is of the view that the Company has complied with the CG Code for the Reporting Year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the Company’s code of conduct for dealings in securities of the Company by the Directors. In response to the specific enquiries made by the Company, each of the Directors confirmed that he/she had complied with the Model Code during the Reporting Year.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the eligibility of shareholders to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 2 December 2022 (or any adjournment thereof), the register of members of the Company will be closed from Tuesday, 29 November 2022 to Friday, 2 December 2022, both days inclusive, during which no share transfer will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 28 November 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the Reporting Year.

SCOPE OF WORK OF HLM CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Reporting Year as set out in this preliminary announcement have been agreed by the Group's auditor, HLM CPA Limited. The work performed by HLM CPA 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 HLM CPA Limited on the preliminary result announcement.

AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. Tsang Wing Ki (chairman), Mr. Choi Hung Fai and Dr. Wong Kong Tin, *JP*. The Audit Committee has reviewed, with the management and the independent auditor of the Company, the annual results and the consolidated financial statements of the Group for the Reporting Year.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Company at www.novahldg.com and the website of the Stock Exchange at www.hkexnews.hk. The annual report of the Company will be despatched to shareholders and published on the aforesaid websites in due course.

By Order of the Board
NOVA Group Holdings Limited
Deng Zhonglin
Chairman and Chief Executive Officer

Hong Kong, 23 September 2022

As at the date of this announcement, the Board comprises Mr. Deng Zhonglin 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 and Dr. Wong Kong Tin, JP as independent non-executive Directors.