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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)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of NOVA Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 31 December 2022 (the “**Reporting Period**”) together with comparative figures for the corresponding period in 2021 (the “**Prior Period**” or “**2021**”) as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2022

	Notes	For the six months ended	
		2022	2021
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited and restated)
<b>CONTINUING OPERATION</b>			
Revenue			
Contract with customers		6,689	37,902
Interest under effective interest method		23,685	28,995
		<hr/>	<hr/>
Total revenue	5	30,374	66,897
Cost of sales		(3,172)	(23,175)
		<hr/>	<hr/>

		<b>For the six months ended</b>	
		<b>31 December</b>	
		<b>2022</b>	2021
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Unaudited and restated)
Gross profit		<b>27,202</b>	43,722
Other income	6	<b>764</b>	2,397
Other gains and losses	7	<b>(1,743)</b>	(1,245)
Impairment loss on goodwill	13	<b>(128,598)</b>	(34,117)
Impairment loss on intangible asset	12	<b>(864)</b>	(374)
Impairment losses under expected credit loss model, net of reversal	8	<b>(195,034)</b>	(3,632)
Selling expenses		<b>(4,000)</b>	(5,498)
Administrative expenses		<b>(13,725)</b>	(13,959)
		<hr/>	<hr/>
<b>Operating loss from continuing operations</b>		<b>(315,998)</b>	(12,706)
Finance costs		<b>(1,972)</b>	(2,778)
		<hr/>	<hr/>
<b>Loss before tax from continuing operations</b>	7	<b>(317,970)</b>	(15,484)
Taxation	9	<b>(11,431)</b>	(4,193)
		<hr/>	<hr/>
<b>Loss for the period from continuing operations</b>		<b>(329,401)</b>	(19,677)
		<hr/>	<hr/>
<b>DISCONTINUED OPERATION</b>			
Loss for the period from discontinued operation		<b>(243)</b>	(1,920)
		<hr/>	<hr/>
Loss for the period		<b>(329,644)</b>	(21,597)
		<hr/>	<hr/>

	<b>For the six months ended</b>	
	<b>31 December</b>	
	<b>2022</b>	2021
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited and restated)
<b>Other comprehensive (expenses)/income for the period</b>		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences on translation of foreign operations	(20,841)	9,912
Release of exchange reserve upon deregistration of subsidiaries	—	173
	<u>                    </u>	<u>                    </u>
<b>Other comprehensive (expenses)/income for the period</b>	<b>(20,841)</b>	<b>10,085</b>
	<u>                    </u>	<u>                    </u>
<b>Total comprehensive expenses for the period</b>	<b><u>(350,485)</u></b>	<b><u>(11,512)</u></b>
<b>Loss per share:</b>		
<b>From continuing operations and discontinued operation</b>	<i>11</i>	
Basic ( <i>HK cents</i> )	<b><u>(17.76)</u></b>	<b><u>(1.16)</u></b>
Diluted ( <i>HK cents</i> )	<b><u>(17.76)</u></b>	<b><u>(1.16)</u></b>
<b>From continuing operations</b>		
Basic ( <i>HK cents</i> )	<b><u>(17.75)</u></b>	<b><u>(1.06)</u></b>
Diluted ( <i>HK cents</i> )	<b><u>(17.75)</u></b>	<b><u>(1.06)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2022*

		At 31 December 2022	At 30 June 2022
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		<b>303</b>	327
Right-of-use assets		<b>1,551</b>	2,133
Intangible assets	<i>12</i>	–	1,035
Goodwill	<i>13</i>	<b>434</b>	129,032
Deposits		<b>442</b>	442
Deferred tax assets		<b>83</b>	11,149
		<b>2,813</b>	144,118
<b>Current assets</b>			
Inventories		<b>176</b>	1,995
Trade receivables	<i>14</i>	<b>19,253</b>	28,399
Factoring receivables	<i>15</i>	<b>310,345</b>	422,145
Lease receivables	<i>16</i>	<b>8,148</b>	16,136
Loan receivables	<i>17</i>	<b>1,530</b>	12,174
Prepayments, deposits and other receivables		<b>2,612</b>	3,441
Financial assets at fair value through profit or loss (“FVTPL”)	<i>18</i>	<b>656</b>	1,147
Income tax receivables		<b>3,081</b>	2,270
Cash and cash equivalents		<b>3,953</b>	71,758
		<b>349,754</b>	559,465

		At 31 December 2022 <i>HK\$'000</i> (Unaudited)	At 30 June 2022 <i>HK\$'000</i> (Audited)
<b>Current liabilities</b>			
Trade payables	19	3,137	3,420
Contract liabilities		769	1,548
Accruals and other payables		7,731	7,386
Lease liabilities		1,327	1,260
Borrowings		3,384	–
Corporate bonds	20	39,836	40,507
Income tax payables		476	2,389
		<u>56,660</u>	<u>56,510</u>
<b>Net current assets</b>		<u>293,094</u>	<u>502,955</u>
<b>Total assets less current liabilities</b>		<u>295,907</u>	<u>647,073</u>
<b>Non-current liabilities</b>			
Lease liabilities		<u>474</u>	<u>1,155</u>
<b>Net assets</b>		<u><u>295,433</u></u>	<u><u>645,918</u></u>
<b>Capital and reserve</b>			
Share capital	21	3,712	3,712
Reserves		<u>291,721</u>	<u>642,206</u>
<b>Total equity</b>		<u><u>295,433</u></u>	<u><u>645,918</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 31 December 2022*

## 1. ORGANISATION AND PRINCIPAL ACTIVITIES

NOVA Group Holdings Limited (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 principal place of business of the Company in Hong Kong is located at Room 2102, 21/F., Tower One, Lippo Centre, 89 Queensway, Hong Kong.

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the “**Group**”) is principally engaged in the operation of cultural and entertainment comprehensive services platform and provision of loan and financing services. In view of the resurgence of COVID-19 pandemic since early 2022 which resulted in business disruptions, the Group decided to cease its business in the organisation and sponsorship of exhibitions and events. Accordingly, the cessation of exhibitions and events business is presented as a discontinued operation in the condensed consolidated financial statements of the Group with the comparatives for the corresponding period of 2021 be restated to conform with the current period’s presentation.

The unaudited condensed consolidated financial statements have not been audited by the Company’s auditor, but have been reviewed by the audit committee of the Board.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 31 December 2022 (the “**Reporting Period**”) have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and with applicable disclosure requirements as set out in Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). It was authorised for issue on 24 February 2023.

The unaudited condensed consolidated financial statements do not include all the information and disclosures required for annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2022 as contained in the Company’s annual report 2021/22 (the “**Annual Report**”).

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the interim condensed consolidated financial statements for the Reporting Period are the same as those followed in the preparation of the Annual Report.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In the Reporting Period, 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 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current period had no material impact on the Group's result and financial positions for the Reporting Period and for the six months period ended 31 December 2021 (“**Prior Period**” or “**2021**”) and/or on the disclosures set out in the condensed consolidated financial statements.

### 4. SEGMENT INFORMATION

Information reported to the directors of the Company (“**Directors**”), 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:

#### *Continuing operations*

Cultural and entertainment	Operation of cultural and entertainment comprehensive services platform, including brand management, solution and consulting services, contracting services and entertainment equipment solution, trading of goods and products promotion services
Financing	Provision of money lending, finance leasing and credit factoring services

## Discontinued operation

Exhibitions and events                      Organisation and sponsorship of trade shows, exhibitions and events, provision of event planning, sub-contracting, management and ancillary services

## Segment revenue and results

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

### For the six months ended 31 December

	Continuing operations				Total for		Discontinued operation		Total	
	Cultural entertainment		Financing		Continuing operations		Exhibitions and events		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Revenue</b>										
Segment revenue	6,689	37,902	23,685	28,995	30,374	66,897	-	-	30,374	66,897
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-
Revenue from external customers	<b>6,689</b>	<b>37,902</b>	<b>23,685</b>	<b>28,995</b>	<b>30,374</b>	<b>66,897</b>	<b>-</b>	<b>-</b>	<b>30,374</b>	<b>66,897</b>
<b>Results</b>										
Segment results	(138,294)	(29,946)	(171,252)	26,759	(309,546)	(3,187)	(225)	(658)	(309,771)	(3,845)
Unallocated net loss on financial assets at FVTPL					(490)	(708)	-	-	(490)	(708)
Unallocated impairment loss under ECL model, net of reversal					-	(580)	-	-	-	(580)
Unallocated income and other gains and losses					121	103	-	-	121	103
Unallocated corporate expenses					(6,105)	(8,336)	-	-	(6,105)	(8,336)
Finance costs					(1,950)	(2,776)	-	-	(1,950)	(2,776)
Loss before tax					(317,970)	(15,484)	(225)	(658)	(318,195)	(16,142)
Taxation					(11,431)	(4,193)	(18)	(1,262)	(11,449)	(5,455)
<b>Loss for the period</b>					<b>(329,401)</b>	<b>(19,677)</b>	<b>(243)</b>	<b>(1,920)</b>	<b>(329,644)</b>	<b>(21,597)</b>

## ***Segment assets and liabilities***

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

	Exhibitions and events		Cultural entertainment		Financing		Total	
	At 31 December 2022 <i>HK\$'000</i> (Unaudited)	At 30 June 2022 <i>HK\$'000</i> (Audited)						
<b>Assets</b>								
Segment assets	546	596	26,072	172,305	321,719	520,969	348,337	693,870
Unallocated corporate assets							4,230	9,713
<b>Total reportable segment assets</b>							<b>352,567</b>	<b>703,583</b>
<b>Liabilities</b>								
Segment liabilities	70	117	13,362	10,733	1,452	3,407	14,884	14,257
Unallocated corporate liabilities							42,250	43,408
<b>Total reportable segment liabilities</b>							<b>57,134</b>	<b>57,665</b>

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.

## 5. REVENUE

	<b>For the six months ended</b>	
	<b>31 December</b>	
	<b>2022</b>	2021
	<i><b>HK\$'000</b></i>	<i><b>HK\$'000</b></i>
	<b>(Unaudited)</b>	(Unaudited and restated)
<b>Continuing operations</b>		
<b>Revenue from contracts with customers:</b>		
Brand management	906	3,147
Promotion and consulting services	2,487	10,221
Trading of goods	<u>3,296</u>	<u>24,534</u>
	<u>6,689</u>	<u>37,902</u>
<b>Interest under effective interest method:</b>		
Financing income		
– Credit factoring services	22,894	24,775
– Finance leasing services	513	3,246
– Money lending services	<u>278</u>	<u>974</u>
	<u>23,685</u>	<u>28,995</u>
<b>Total</b>	<u><u>30,374</u></u>	<u><u>66,897</u></u>
<b>Timing of revenue recognition:</b>		
At a point in time	3,878	27,981
Over time	<u>2,811</u>	<u>9,921</u>
<b>Revenue from contracts with customers</b>	<b>6,689</b>	37,902
<b>Revenue from other sources</b>	<u>23,685</u>	<u>28,995</u>
<b>Total</b>	<u><u>30,374</u></u>	<u><u>66,897</u></u>

## 6. OTHER INCOME

	For the six months ended	
	31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited and restated)
<b>Continuing operations</b>		
Government grants	745	1,902
Interest income	6	48
Sundry income	13	447
	<u>764</u>	<u>2,397</u>

## 7. LOSS BEFORE TAX

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

	For the six months ended	
	31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited and restated)
<b>Continuing operations</b>		
<b>Staff costs:</b>		
Employee benefits expenses (including directors' emoluments)		
– Salaries, allowance and other benefit	6,269	7,750
– Retirement benefit scheme contributions	823	1,168
	<u>7,092</u>	<u>8,918</u>

	<b>For the six months ended</b>	
	<b>31 December</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited and restated)
<b>Continuing operations</b>		
<b>Other items:</b>		
Amortisation of intangible assets	132	1,012
Depreciation of:		
– property, plant and equipment	74	767
– right-of-use assets	582	749
Cost of inventories recognised in cost of sales	3,029	21,681
Lease expenses on short-term leases	356	284
	<u>          </u>	<u>          </u>
<b>Other (gains) and losses:</b>		
Net loss on financial assets at FVTPL	490	708
Exchange losses, net	37	35
Write-off of property, plant and equipment	–	15
Loss on deregistration of subsidiaries	–	173
Gain on early redemption of corporate bond	–	(369)
Loss on non-substantial modification of corporate bond ( <i>Note 20</i> )	1,216	683
	<u>          </u>	<u>          </u>
	<u>1,743</u>	<u>1,245</u>

## 8. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	For the six months ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)
<b>Continuing operations</b>		
Impairment losses/(reversal of impairment losses) recognised on:		
– Trade receivables ( <i>Note 14</i> )	2,848	2,964
– Other receivables	–	580
– Factoring receivables ( <i>Note 15</i> )	184,748	113
– Lease receivables ( <i>Note 16</i> )	7,455	(15)
– Loan receivables ( <i>Note 17</i> )	(17)	(10)
	<u>195,034</u>	<u>3,632</u>

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the Reporting Period are the same as those followed in the preparation of the Group's Annual Report.

## 9. TAXATION

	<b>For the six months ended</b>	
	<b>31 December</b>	
	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited and restated)
<b>Continuing operations</b>		
<b>Current tax:</b>		
– PRC Enterprise Income Tax	<u>836</u>	<u>6,630</u>
	<b>836</b>	6,630
<b>Overprovision in prior periods:</b>		
– Hong Kong Profits Tax	–	(2)
– PRC Enterprise Income Tax	–	(2,435)
<b>Deferred tax expense:</b>		
– Current period	<u>10,595</u>	<u>–</u>
Total income tax expense for continuing operations	<u><b>11,431</b></u>	<u><b>4,193</b></u>
<b>Discontinued operation</b>		
<b>Current tax:</b>		
– PRC Enterprise Income Tax	18	57
– Withholding tax on remitted earnings	<u>–</u>	<u>1,205</u>
Total income tax expense for discontinued operation	<u><b>18</b></u>	<u><b>1,262</b></u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Reporting Period and Prior Period.

Under the Law of the People’s Republic of China (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 Reporting Period and Prior Period.

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 of the Company do not recommend the payment of any dividend for the Reporting Period (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:

	<b>For the six months ended</b>	
	<b>31 December</b>	
	<b>2022</b>	2021
	<b>HK\$’000</b>	<b>HK\$’000</b>
	<b>(Unaudited)</b>	(Unaudited and restated)
<b>Loss</b>		
Loss attributable to owners of the Company		
– from continuing operations	<b>(329,401)</b>	(19,677)
– from discontinued operations	<b>(243)</b>	(1,920)
	<u><b>(329,644)</b></u>	<u>(21,597)</u>
Loss from continuing and discontinued operations	<u><b>(329,644)</b></u>	<u>(21,597)</u>

For the six months ended	
31 December	
2022	2021
'000	'000
(Unaudited)	(Unaudited)

### Number of shares

Number of/weighted average number of ordinary shares for the purpose of basic and diluted loss per share

<b>1,855,903</b>	<b>1,855,903</b>
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For the Reporting Period and the Prior Period, 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 Reporting Period and Prior Period.

## 12. INTANGIBLE ASSETS

No disposal of intangible assets for the Reporting Period and Prior Period. The management performed an impairment assessment and an impairment loss of approximately HK\$864,000 was recognised for the Reporting Period (2021: HK\$374,000).

The recoverable amounts of intangible assets have been determined based on a value-in-use calculation by Peak Vision Appraisal Limited ("Peak Vision"). The calculation used cash flow projections based on a financial forecast approved by the Directors covering a three-year period.

## 13. GOODWILL

At	At
31 December	30 June
2022	2022
HK\$'000	HK\$'000
(Unaudited)	(Audited)

### Carrying amounts

At the beginning of the period/year

<b>129,032</b>	240,450
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Impairment loss recognised

<b>(128,598)</b>	(111,418)
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At the end of the period/year

<b>434</b>	<b>129,032</b>
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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”) (30 June 2022: 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 cash generating units (“**CIS CGU**”) and subsidiaries in Hananhal Group cash generating units (“**Hananhal CGU**”) engaged in provision of financing services. The carrying amounts of goodwill and intangible assets (net of accumulated impairment losses) as at 31 December 2022 and 30 June 2022 were allocated to these CGUs are respectively as follows:

	Goodwill		Intangible assets	
	31 December 2022 <i>HK\$'000</i> (Unaudited)	30 June 2022 <i>HK\$'000</i> (Audited)	31 December 2022 <i>HK\$'000</i> (Unaudited)	30 June 2022 <i>HK\$'000</i> (Audited)
Fortune Selection CGU	-	2,087	-	1,035
Cheer Sino CGU	-	126,511	-	-
CIS CGU	334	334	-	-
Hananhal CGU	100	100	-	-
Total	<u>434</u>	<u>129,032</u>	<u>-</u>	<u>1,035</u>

During the period ended 31 December 2022, with reference to the professional valuation performed by the Peak Vision, the management of the Group has determined that an impairment loss of approximately HK\$128,598,000 (year ended 30 June 2022: approximately HK\$111,418,000) 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 period ended 31 December 2022 and year ended 30 June 2022. As most of the contracts for brand management service from Fortune Selection CGU, and promotion and consultancy service from Cheer Sino CGU were expired and those customers did not renew their contracts with the Group, the management identified a significant downturn of its Fortune Selection CGU and Cheer Sino CGU. After reviewing the performance of Fortune Selection CGU and Cheer Sino CGU in 2022, the management of the Group revised the carrying amounts of Fortune Selection CGU and Cheer Sino CGU downwards based on cash flow forecasts.

The recoverable amounts of CGUs were determined based on a value-in-use calculation with the assistance of the independent professional qualified valuers not connected with the Group. The calculation uses cash flow projections based on financial budgets approved by the management. Assumptions were used in the value-in-use calculation of the CGUs for the period ended 31 December 2022 and year ended 30 June 2022. The major underlying assumptions on which management has based in the preparation of cash flow projections to undertake impairment testing of goodwill are summarised below:

Discount rate per annum – the discount rates used are post-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs.

Budgeted revenue and budgeted profit margin – management determined budgeted gross margins based on past performance, existing sales contracts and management expectations for the market development.

Terminal growth rate – the rate used is with reference to the long term average growth rates and expected market development.

#### ***Fortune Selection CGU***

The value-in-use calculation used cash flow projections based on financial budgets approved by management covering a three-year period, and at a discount rate of 13.20% (30 June 2022: 13.06%). Since there are no positive cashflow at terminal year, the terminal growth rate is not applicable (Cash flows after the three-year period were extrapolated using a 2% growth rate for year ended 30 June 2022), after considering the economic conditions of the market.

The trademarks and brands were assessed by the directors of the Company for impairment as part of the impairment assessment of the brand management services as the trademarks and brands belonged to the Fortune Selection CGU for impairment testing purpose.

For the period ended 31 December 2022, impairment loss of HK\$2,087,000 (30 June 2022: HK\$29,749,000) has been provided as the budgeted average revenue reduced to approximately HK\$818,000 (year ended 30 June 2022: HK\$2,204,000), and the recoverable amount of this CGU was reduced to HK\$Nil (30 June 2022: HK\$3,122,000). The impairment loss on goodwill arose as a result of the less than satisfactory past and expected performance of the Fortune Selection CGU.

#### ***Cheer Sino CGU***

The value-in-use calculation used cash flow projections based on financial budgets approved by management covering a three-year period, and at a discount rate of 13.20% (30 June 2022: 13.06%). Since there are no positive cashflow at terminal year, the terminal growth rate is not applicable (Cash flows after the three-year period were extrapolated using a 2% growth rate for year ended 30 June 2022), after considering the economic conditions of the market.

For the period ended 31 December 2022, impairment loss of HK\$126,511,000 (30 June 2022: HK\$81,669,000) has been provided as the budgeted average revenue reduced to approximately HK\$Nil (30 June 2022: HK\$22,559,000), and the recoverable amount of this CGU was reduced to HK\$Nil (30 June 2022: HK\$126,511,000). The impairment loss on goodwill arose as a result of the less than satisfactory past and expected performance of the Cheer Sino CGU.

#### 14. TRADE RECEIVABLES

	At 31 December 2022 <i>HK\$'000</i> (Unaudited)	At 30 June 2022 <i>HK\$'000</i> (Audited)
Trade receivables from contracts with customers	35,832	42,642
<i>Less:</i> impairment allowance	<u>(16,579)</u>	<u>(14,243)</u>
	<u><b>19,253</b></u>	<u><b>28,399</b></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:

	At 31 December 2022 <i>HK\$'000</i> (Unaudited)	At 30 June 2022 <i>HK\$'000</i> (Audited)
0-30 days	182	1,880
31-60 days	244	546
61-90 days	323	252
91-180 days	2,232	7,596
181-365 days	7,138	16,365
Over 1 year	<u>9,134</u>	<u>1,760</u>
	<u><b>19,253</b></u>	<u><b>28,399</b></u>

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

	At <b>31 December</b> 2022 <i>HK\$'000</i> (Unaudited)	At 30 June 2022 <i>HK\$'000</i> (Audited)
0-30 days	807	1,937
31-60 days	493	2,103
61-90 days	494	3,402
91-180 days	4,484	9,188
181-365 days	10,978	5,124
Over 1 year	355	221
	<u>17,611</u>	<u>21,975</u>

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

	At <b>31 December</b> 2022 <i>HK\$'000</i> (Unaudited)	At 30 June 2022 <i>HK\$'000</i> (Audited)
At the beginning of the period/year	14,243	838
Amounts recognized during the period/year, net	2,848	14,634
Amounts written off	–	(780)
Exchange realignment	(512)	(449)
	<u>16,579</u>	<u>14,243</u>
At the end of the period/year	<u>16,579</u>	<u>14,243</u>

## 15. FACTORING RECEIVABLES

	At 31 December 2022 <i>HK\$'000</i> (Unaudited)	At 30 June 2022 <i>HK\$'000</i> (Audited)
Factoring receivables	510,829	447,695
Interest receivables from factoring receivables	10,951	1,113
Less: impairment allowance	<u>(211,435)</u>	<u>(26,663)</u>
	<b><u>310,345</u></b>	<b><u>422,145</u></b>

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:

	At 31 December 2022 <i>HK\$'000</i> (Unaudited)	At 30 June 2022 <i>HK\$'000</i> (Audited)
0-30 days	202,263	39,729
31-90 days	50,021	114,842
91-365 days	<u>58,061</u>	<u>267,574</u>
	<b><u>310,345</u></b>	<b><u>422,145</u></b>

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 31 December 2022 ranging from 5.60% to 11.48% (30 June 2022: 8.57% to 17.06%) per annum.

During the year ended 30 June 2022, 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.

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

	At 31 December 2022 <i>HK\$'000</i> (Unaudited)	At 30 June 2022 <i>HK\$'000</i> (Audited)
At the beginning of the period/year	26,663	468
Amounts recognised during the period/year, net	184,748	27,042
Exchange realignment	24	(847)
	<u>211,435</u>	<u>26,663</u>

## 16. LEASE RECEIVABLES

	At 31 December 2022 <i>HK\$'000</i> (Unaudited)	At 30 June 2022 <i>HK\$'000</i> (Audited)
Lease receivables from sale-leaseback transactions	18,863	19,479
Less: impairment allowance	(10,715)	(3,343)
	<u>8,148</u>	<u>16,136</u>

At the end of the reporting period, all lease receivables from sale-leaseback transaction will be matured within 1 year, based on the maturity date of the contracts.

All leases are denominated in RMB. Lease receivables from sale-leaseback transactions are measured at amortised cost and generally for periods of 1.5 to 3 years. The effective interest rate of the lease receivables from sale-leaseback transactions as at 31 December 2022 is 10.00% (30 June 2022: ranging from 7.17% to 10.00%) per annum.

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

	At <b>31 December</b> 2022 <i>HK\$'000</i> (Unaudited)	At 30 June 2022 <i>HK\$'000</i> (Audited)
At the beginning of the period/year	3,343	57
Amounts recognized during the period/year, net	7,455	3,392
Exchange realignment	(83)	(106)
	<u>10,715</u>	<u>3,343</u>
At the end of the period/year	<u><b>10,715</b></u>	<u>3,343</u>

### ***Leasing arrangements***

There was no unguaranteed residual value in connection with lease arrangements or contingent lease arrangements of the Group that needed to be recorded as at the end of the Reporting Period.

## **17. LOAN RECEIVABLES**

	At <b>31 December</b> 2022 <i>HK\$'000</i> (Unaudited)	At 30 June 2022 <i>HK\$'000</i> (Audited)
Loan receivables	1,500	12,000
Interest receivables from loan receivables	33	194
Less: impairment allowance	(3)	(20)
	<u>1,530</u>	<u>12,174</u>
	<u><b>1,530</b></u>	<u>12,174</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 at 8.00% (30 June 2022: 8.00%) per annum as at 31 December 2022.

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:

	At <b>31 December</b> <b>2022</b> <i>HK\$'000</i> <b>(Unaudited)</b>	At 30 June 2022 <i>HK\$'000</i> <b>(Audited)</b>
0-30 days	–	90
31-90 days	<b>1,530</b>	103
91-365 days	–	11,981
	<b><u>1,530</u></b>	<b><u>12,174</u></b>

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

	At <b>31 December</b> <b>2022</b> <i>HK\$'000</i> <b>(Unaudited)</b>	At 30 June 2022 <i>HK\$'000</i> <b>(Audited)</b>
At the beginning of the period/year	<b>20</b>	36
Amounts reversed during the period/year, net	<b><u>(17)</u></b>	<b><u>(16)</u></b>
At the end of the period/year	<b><u>3</u></b>	<b><u>20</u></b>

## 18. FINANCIAL ASSETS AT FVTPL

	At 31 December 2022 <i>HK\$'000</i> (Unaudited)	At 30 June 2022 <i>HK\$'000</i> (Audited)
Early redemption right of corporate bonds	404	878
Equity securities listed in Hong Kong	<u>252</u>	<u>269</u>
	<u><b>656</b></u>	<u><b>1,147</b></u>

## 19. TRADE PAYABLES

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:

	At 31 December 2022 <i>HK\$'000</i> (Unaudited)	At 30 June 2022 <i>HK\$'000</i> (Audited)
0-30 days	110	1,455
31-60 days	158	–
61-90 days	976	–
91-180 days	–	–
181-365 days	–	14
Over 1 year	<u>1,893</u>	<u>1,951</u>
	<u><b>3,137</b></u>	<u><b>3,420</b></u>

The average credit period ranges from 0-180 days.

## 20. CORPORATE BONDS

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

	Unlisted bond ("Bond II") <i>HK\$'000</i>	Unlisted bond ("Bond V") <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 30 June 2022 and 1 July 2022 (Audited)	994	39,513	40,507
Redemption	(1,000)	–	(1,000)
Loss on non-substantial modification ( <i>Note (a)</i> )	–	1,216	1,216
Effective interest expenses	14	1,829	1,843
<i>Less: interest paid</i>	(8)	(2,722)	(2,730)
<b>At 31 December 2022 (Unaudited)</b>	<b>–</b>	<b>39,836</b>	<b>39,836</b>

The effective interest rates are in a range of 10.41% to 10.46% per annum.

*Notes:*

- (a) On 5 November 2021, the Company executed a supplemental deed poll for the unsecured corporate bonds 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 unsecured corporate bonds with principal amount of HK\$36,000,000 to modify the maturity date from 7 May 2022 to 31 December 2022.

On 30 December 2022, the Company executed a supplemental deed poll for the unsecured corporate bonds with principal amount of HK\$36,000,000 to modify the maturity date from 31 December 2022 to 30 June 2023.

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, HK\$1,475,000 and HK\$1,216,000 are recognised in profit or loss at each of the dates of modification respectively.

## 21. SHARE CAPITAL

	Par value <i>HK\$'000</i>	Number of ordinary shares	Nominal value of ordinary shares <i>HK\$'000</i>
<b>Authorised:</b>			
At 1 July 2021, 30 June 2022, 1 July 2022 and 31 December 2022	<u>0.002</u>	<u>5,000,000,000</u>	<u>10,000</u>
<b>Issued and fully paid:</b>			
At 1 July 2021, 30 June 2022, 1 July 2022 and 31 December 2022	<u>0.002</u>	<u>1,855,903,277</u>	<u>3,712</u>

## 22. DISCONTINUED OPERATION

During the period ended 31 December 2022, the Group ceased its Exhibitions and Events business operation due to deterioration of operating results and financial performance. The analysis of the results of discontinued operation is as follows:

	For the six months ended 31 December	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Other income	95	–
Other gains and losses	–	(50)
Administrative expenses	<u>(320)</u>	<u>(767)</u>
<b>Loss before tax</b>	<b>(225)</b>	<b>(817)</b>
Taxation	<u>(18)</u>	<u>(1,262)</u>
<b>Loss for the period</b>	<b><u>(243)</u></b>	<b><u>(2,079)</u></b>

## 23. MATERIAL RELATED PARTIES TRANSACTIONS

Save as disclosed elsewhere to the unaudited condensed consolidated financial statements, the Group had entered into the following related party transactions, which in the opinion of the Directors, were carried out in accordance with terms negotiated between the parties and in the ordinary course of business of the Group.

Remuneration for key personnel management, including emoluments paid to the directors of the Company are as follows:

	For the six months ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kind	1,109	1,176
Retirement benefits scheme contributions	23	23
	<hr/>	<hr/>
Total compensation paid to key management personnel	<u>1,132</u>	<u>1,199</u>

## 24. CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 31 December 2022 and 30 June 2022.

## 25. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2022 and 30 June 2022.

## 26. EVENTS AFTER THE REPORTING PERIOD

On 20 January 2023, the Company allotted and issued an aggregate of 198,250,000 ordinary shares of HK\$0.002 each for cash at the net issue price per placing share of approximately HK\$0.068 under the general mandate.

## 27. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current period's presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

NOVA Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) are principally engaged in the operation of cultural and entertainment comprehensive services platform and provision of loan and financing services. The Group has discontinued its business in the organisation and sponsorship of exhibitions and events.

Revenue and segment results of the Group for the six months ended 31 December 2022 (the “**Reporting Period**”) and for the six months ended 31 December 2021 (the “**Prior Period**” or “**2021**”) are set out as follows:

	For the six months ended	
	31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>		
Exhibitions and events	–	–
Cultural and entertainment	6,689	37,902
Financing	23,685	28,995
	<u>30,374</u>	<u>66,897</u>
<b>Segment (loss)/profit from</b>		
Exhibitions and events	(225)	(658)
Cultural and entertainment	(138,294)	(29,946)
Financing	(171,252)	26,759
	<u>(309,771)</u>	<u>(3,845)</u>

## **Exhibitions and Events Business**

The Group has discontinued its exhibitions and events business operation due to the resurgence of COVID-19 pandemic since early 2022 which resulted in business disruptions and had not generated any revenue for both the Reporting Period and the Prior Period.

No revenue from the exhibitions and events business was recorded for the Reporting Period and the Prior Period. It represented 0% (2021: 0%) of the total revenue.

## **Cultural and Entertainment Business**

During the Reporting Period, the revenue from our culture and entertainment business contributed to approximately 22.0% of the Group's revenue. The overall cultural and entertainment business performance has been weak since the outbreak of COVID-19 pandemic. Epidemic preventive measures and social distancing policy introduced by the People's Republic of China ("PRC") government had 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. The Group may not continue to develop new brands for brand management. The Group understands 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 going downhill these years, the Group believed that it was important to go through the economic difficulties with our NOD Union members together. However, the temporary store closure and lower customer traffic due to the abruptness and variability of COVID-19 pandemic had evolved to permanent closure and had caused a profound impact on the performance of our cultural and entertainment business. Over 75% of our customers and members from NOD Union could not overcome the operating losses and chose to close their stores to cut losses. Further, most of the remaining customers and members from NOD Union did not wish to continue their contractual relationship with NOD Union when their contracts expired due to their tight cashflow situations. Without the support of such customers and members, the future revenue arising from the NOD Union is expected to substantially decrease and directly translate into a substantial impairment loss on goodwill.

During the Reporting Period, impairment losses on goodwill of approximately HK\$126.5 million and approximately HK\$2.1 million were resulted under the Cheer Sino Group cash generating unit (the “**Cheer Sino CGU**”) and Fortune Selection Group cash generating unit (the “**Fortune Selection CGU**”) respectively. The carrying value of goodwill as at 31 December 2022 was approximately HK\$0.4 million.

Revenue from the cultural and entertainment business decreased by approximately HK\$31.2 million, or approximately 82.3%, from approximately HK\$37.9 million for the Prior Period to approximately HK\$6.7 million for the Reporting Period. It represented approximately 22.0% (2021: 56.7%) of the total revenue.

The cultural and entertainment comprehensive services platform is currently divided into the following components:

		<b>For the six months ended</b>	
		<b>31 December</b>	
		<b>2022</b>	2021
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Brand management	<i>i</i>	<b>906</b>	3,147
Promotion and consulting services	<i>ii</i>	<b>2,487</b>	10,221
Trading of goods	<i>iii</i>	<b>3,296</b>	24,534
		<b><u>6,689</u></b>	<u>37,902</u>

*Notes:*

**i. Brand management:**

Providing brand management under the brand name of “DrOscar”. Brand marketing on other brand names, “PHEBE”, “MT”, and “U.CLUB”, have been suspended. During the Reporting Period, 23 brand management contracts have expired without renewal. The number of clients decreased from 35 to 13.

**ii. Promotion and consulting services:**

Providing promotion services, systematic entertainment solution and advisory services, including entertainment management consulting, event planning, online marketing, and other ad hoc consultancy services. During the Reporting Period, approximately 90% of brand management contracts have expired and no new contracts were taken up. The number of clients decreased from 20 to 9.

**iii. Trading of goods:**

Trading of liquors. As for the trading business (mainly trading of wine, liquors and daily supplies to entertainment stores and NOD Union members for the Prior Period), our customer base decreased from over 100 to 12 customers, where most of the revenue came from the Group's existing or previous NOD Union members and customers in brand management. As more than 75% of NOD Union members and customers have gone out of business, likewise the Group's customer base decreased substantially. This has a devastating effect on our trading of wine and liquors. The Group decreased its product category listing from over 30 to one type of liquor. During the Reporting Period, the revenue from our trading of goods contributed to approximately 10.9% of the total revenue, down from approximately 36.7% for the Prior Period. Also, in terms of net amount, it recorded a decrease of approximately 86.6% for the Reporting Period as compared with that of the Prior Period.

## **Financing Business**

The revenue from our financing business contributed to approximately 78.0% of the Group's revenue. The Group has credit policy and loan approval process to minimise credit risks. The Group always insists on meeting customer needs and maximising customer value as a starting point.

Due to the abruptness and variability of COVID-19 pandemic and after adjusting the interest rate range and with a good reputation among customers, the revenue from our financing business decreased by approximately 18.3%. Some of our clients have rolled over their loans and/or delayed on payment of principal and/or interest. This has led to an increase in impairment losses under expected credit loss ("ECL") model, net of reversal, of approximately HK\$191.4 million, representing an increase of approximately 5,269.9% over the Prior Period.

Such impairment losses represent general and specific provisions under ECL model and do not represent actual credit default. As the COVID-19 pandemic eased out in late January 2023, the Group expects our clients' cashflow will resume to the normal status within 2023.

As at 31 December 2022, the Group had 19 credit factoring customers, two finance leasing customers and one money lending customer, among which 21 of them were corporate customers and the remaining one was individual customer. Its customers in financing business are mainly engaged in catering services, construction, equipment leasing, finance leasing, trading of metal, petroleum, chemical, timber and motor vehicles industries.

During the Reporting Period, revenue from credit factoring, finance leasing and money lending represented approximately 75.4%, 1.7% and 0.9% of the total revenue of the Group, respectively.

During the Reporting Period, revenue from credit factoring, finance leasing and money lending represented approximately 96.7%, 2.1% and 1.2% of the total revenue of the Group generated from financing business, respectively.

The relevant loan arrangements with those credit factoring customers and finance leasing customers were secured by collaterals of (i) accounts receivables due from their respective debtor(s) and (ii) leased assets, respectively, while that with the money lending customer was not secured by any collaterals.

As at 31 December 2022, out of the Group's financing receivables balance of approximately HK\$542.2 million, approximately HK\$1.6 million or approximately 0.3% of the total loans were not secured by collaterals. After due assessment of the credit risks of the Group's personal loan clients, the Group believes that comparable market interest rates were applied.

As at 31 December 2022, the concentration of loans on the Group's major customers in financing business is as follows:

Clients	% the total loan book (before credit impairment)
Top 1	8.5%
Top 3	25.1%
Top 5	41.2%
Top 10	76.8%

Revenue from our financing business decreased by approximately HK\$5.3 million, or approximately 18.3%, from approximately HK\$29.0 million for the Prior Period to approximately HK\$23.7 million for the Reporting Period. It represented approximately 78.0% (2021: 43.4%) of the total revenue.

The financing business is currently divided into the following components:

	<i>Notes</i>	<b>For the six months ended</b>	
		<b>2022</b>	<b>2021</b>
		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Credit factoring	<i>i</i>	<b>22,894</b>	24,775
Finance leasing	<i>ii</i>	<b>513</b>	3,246
Money lending	<i>iii</i>	<b>278</b>	974
		<b><u>23,685</u></b>	<b><u>28,995</u></b>

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 service allows customers to release up to 80% invoice value. Although the weighted average factoring loan size increased from the Prior Period of approximately HK\$391.9 million to the Reporting Period of approximately HK\$405.8 million, representing an increase of approximately HK\$13.9 million or approximately 3.6% over the Prior Period, it was offset by the decrease in the weighted average effective interest rate decreasing from approximately 11.7% to approximately 7.9%, representing a decrease of approximately 3.8% over the Prior Period. The combined effects of the above contributed to the decrease in the credit factoring services revenue of approximately HK\$1.9 million or approximately 7.6% over the Prior Period.

**ii. Finance leasing:**

The Group focused on expanding its small and medium-sized leasing in sale and leaseback business centered on cultural and entertainment customers. The financing period given to customers ranges from 1.5 to 3 years. The finance leasing services revenue in the Reporting Period is substantially lower than that of the Prior Period. This is attributable to the adoption of the amortisation of cost for financial assets and will accrue less interest receivable near to the end of the finance lease. The Group has two outstanding finance leases as at 31 December 2022 and both finance leases will expire in April 2023.

**iii. Money lending:**

Providing pledged and non-pledged money lending services to individuals to maximise customer value. The financing period given to customers ranges from 6 to 12 months. The money lending services revenue in the Reporting Period is substantially lower than that of the Prior Period. This is attributable to the decrease in the outstanding loan balance of approximately HK\$16.2 million as at 31 December 2021 to approximately HK\$1.5 million as at 31 December 2022.

## **FINANCIAL REVIEW**

During the Reporting Period, the Group has recorded approximately HK\$30.4 million in revenue, representing a decrease of approximately 54.6% as compared with that in the Prior Period of approximately HK\$66.9 million. Operating loss for the Reporting Period was approximately HK\$316.0 million, representing an increase of approximately 2,388.2% as compared with that in the Prior Period of approximately HK\$12.7 million. Net loss for the Reporting Period was approximately HK\$329.6 million, representing an increase of approximately 1,425.9% as compared with that in the Prior Period of approximately HK\$21.6 million. The increase in net loss was mainly attributable to the impairment loss on goodwill for the Cheer Sino CGU arising from the adverse impact of the outbreak of COVID-19 pandemic of approximately HK\$126.5 million and the impairment losses under ECL model, net of reversal of approximately HK\$195.0 million.

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

	<b>For the six months ended</b>	
	<b>31 December</b>	
	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Revenue	<b>30,374</b>	66,897
Operating loss	<b>(315,998)</b>	(12,706)
Operating loss margin (%)	<b>1,040.4%</b>	19.0%
Impairment loss on goodwill	<b>(128,598)</b>	(34,117)
Impairment loss on intangible asset	<b>(864)</b>	(374)
Net loss on financial assets at fair value through profit or loss ("FVTPL")	<b>(490)</b>	(708)
Impairment losses under ECL model, net of reversal	<b>(195,034)</b>	(3,632)
Loss for the period	<b><u>(329,644)</u></b>	<u>(21,597)</u>

## **Revenue**

The revenue decreased by approximately HK\$36.5 million, or approximately 54.6%, from approximately HK\$66.9 million for the Prior Period to approximately HK\$30.4 million for the Reporting Period. The reduction was mainly attributable to the decrease in the revenue of the cultural and entertainment segment of approximately HK\$31.2 million and the fact that there was no revenue from the exhibitions and events segment due to the outbreak of COVID-19 pandemic.

## **Other Gains and Losses**

The other gains and losses increased by approximately HK\$0.5 million, or approximately 41.7%, from a loss of approximately HK\$1.2 million for the Prior Period to a loss of approximately HK\$1.7 million for the Reporting Period. Such increment was primarily due to the loss on non-substantial modification of corporate bonds of approximately HK\$1.2 million.

## Impairment Loss on Goodwill

During the Reporting Period, the Group recognised impairment losses on goodwill for the Cheer Sino CGU and the Fortune Selection CGU of approximately HK\$126.5 million and approximately HK\$2.1 million, respectively, due to the risk of uncertain developments in the economic condition.

Many of our NOD Union members and 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 longer period than expected. The Group is holistically pessimistic on the prospect of income and it looks rather bleak and dark in the short term.

The financial performance of the Fortune Selection CGU and the Cheer Sino CGU were unable to achieve the forecast prepared previously. As a result, the Group revised the carrying amounts of the Fortune Selection CGU and the Cheer Sino CGU downwards based on their respective cash flow forecasts, and hence recognised an impairment loss on goodwill. The Group determined budgeted gross margins based on past performance, existing sales contracts, and expectations for market development. The discount rates used are post-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating unit(s) (the “CGU(s)”). The terminal growth rate used is made with reference to the long-term average growth rates and expected market development.

The Group revised the two forecast projections in the coming three financial years in accordance with the historical performance of the CGUs and taking into consideration higher degree of estimation uncertainties due to non-continuance after the expiry of existing contractual arrangements on most customers in the cultural and entertainment segment.

The Group has engaged an independent professional valuer, Peak Vision Appraisals Limited (the “Valuer”), to review our valuation (the “Valuation”) and to support the calculation of impairment loss on goodwill. The Company and the Valuer had been in active discussion on the valuation for impairment testing.

The below table summarised the significant inputs of the Valuation on the Fortune Selection CGU and the Cheer Sino CGU:

	Fortune Selection		Cheer Sino	
	31 December 2022 <i>HK\$'000</i>	30 June 2022 <i>HK\$'000</i>	31 December 2022 <i>HK\$'000</i>	30 June 2022 <i>HK\$'000</i>
Average of three-year period:				
– Revenue	818	2,204	–	22,559
Other inputs:				
– Discount rate	13.20%	13.06%	13.20%	13.06%
– Terminal growth rate	N/A	2.00%	N/A	2.00%
	<i>(note 1)</i>		<i>(note 1)</i>	

*Note 1:* Since there are no positive cash flow at terminal year, terminal growth rate is not applicable.

The inputs and assumptions used in the Valuation as at 31 December 2022 had a significant change in cashflow forecast from those previously adopted. The major change in circumstance that led to the revision of the cashflow forecast is attributable to the COVID-19 preventive measures having been adopted in various cities in the PRC since 2021 which greatly affected customers in the cultural and entertainment segment and led to the closure of their operations. Many of the customers were forced to close temporarily and translated to permanent closure since commercial activities such as bars and restaurants operations needed to be suspended in various districts with identified COVID-19 cases.

Many existing customers did not renew their contracts or memberships with the Group as their operations were suspended, which resulted in a significant decrease in the number of customers and hence the Group's actual revenue and also the forecast revenue for the Fortune Selection Group and the Cheer Sino Group from the financial years ending 2023 to the financial years ending 2025 and the period beyond the three financial years ending 2025. Besides, the cash flows for both the Fortune Selection CGU and the Cheer Sino CGU beyond the three financial years ending 2025 were zero using the estimated terminal growth rate of 0% as at 31 December 2022 and 2% in the previous valuation as at 30 June 2022 with reference to the long-term inflation rate of the PRC. The Group considers that the assumptions applied were fair and reasonable due to the current status of the contracts on-hand.

The valuation method of discounted cash flow was adopted for the calculation of the value-in-use (the “VIU”) using the income approach. Such income approach is an appropriate valuation method that can reflect the value of cash flow generated by continuous operation of the assets, which is consistent with the requirements under HKAS 36 in determining the VIU of the CGUs.

Under the aforesaid valuation method, the following elements shall be reflected in the calculation of the relevant CGU’s VIU: (1) an estimate of the future cash flows the entity expects to derive from the CGU; (2) expectations of possible variations in the amount or timing of those future cash flows; and (3) the time value of money. The recoverable amount of the CGU should be the higher of (i) the fair value less costs of disposal; and (ii) the VIU. After assessing both the VIU and the fair value, the valuation opted for the VIU being the higher between the two figures.

### **Impairment Losses under ECL Model, Net of Reversal**

As at 31 December 2022, the Group made ECL provisions of HK\$211.4 million, out of which HK\$184.7 million related to factoring receivable impairment losses under ECL model, net of reversal, during the Reporting period.

Out of HK\$211.4 million as at 31 December 2022, specific ECL provision and general ECL provision accounted for approximately HK\$182.3 million and approximately HK\$29.1 million, respectively. The specific ECL provision and general ECL provision relate to five receivable factoring clients and 14 receivable factoring clients, respectively. The specific ECL provision and the general ECL provision account for approximately 34.9% and approximately 5.6% respectively of the outstanding receivable factoring loan amount of approximately HK\$521.8 million.

Out of prudence, the Group provided the specific ECL provision mentioned above. The specific ECL provision has been arrived at after the Group discussed with its receivable factoring clients and having regard to the indications of an actual or expected significant deterioration in the receivable factoring clients' external or internal rating. Some of the indications that the Group used are, amongst others, (i) the litigation searches on both the receivable factoring clients and the debtors of the receivable factoring clients; (ii) the receivable factoring clients fail to repay the Group interest and/or principal and requested a roll-over of the receivable factoring loans; and (iii) the receivable factoring clients requested for a waiver of interest (as the case may be). The specific ECL provision made relates to five receivable factoring clients with an average of approximately HK\$36.5 million receivable factoring carried amount as at 31 December 2022 and they are engaged in (i) financial leasing business; (ii) electronic and communication trading; (iii) import and export of goods; and (iv) road freight transportation.

The general impairment assessment under ECL model is performed individually or based on a provision matrix. The credit risk has increased as a result of 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 considerably supportable and available without undue costs or effort. Further details of the impairment losses under ECL model, net of reversal is set out in Note 8 of the consolidated financial statements.

### **Selling and Administrative Expenses**

The Group's selling expenses decreased by approximately HK\$1.5 million, or approximately 27.2%, from approximately HK\$5.5 million for the Prior Period to approximately HK\$4.0 million for the Reporting Period. The Group's administrative expenses decreased by approximately HK\$0.3 million, or approximately 2.2%, from approximately HK\$14.0 million for the Prior Period to approximately HK\$13.7 million for the Reporting Period. The 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 increased by approximately HK\$303.3 million, or approximately 2,388.2%, from an operating loss of approximately HK\$12.7 million for the Prior Period to that of approximately HK\$316.0 million for the Reporting Period. The Group's operating loss margin increased from a loss margin of approximately 19.0% for the Prior Period to that of approximately 1,040.4% for the Reporting Period. The increase was not cash-related and mainly due to the increase in impairment losses under ECL model and increase in impairment loss on goodwill for the Cheer Sino CGU.

## **Finance Costs**

The finance costs decreased by approximately HK\$0.8 million, or approximately 28.6%, from approximately HK\$2.8 million for the Prior Period to approximately HK\$2.0 million for the Reporting Period. The decrease in finance costs was mainly due to the redemption of some corporate bonds and less interest repayment.

## **Taxation**

The Group recorded tax expenses of approximately HK\$11.4 million for the Reporting Period, as compared with that of approximately HK\$4.2 million for the Prior Period.

## **Loss for the Period**

As a result of the foregoing, the Group's loss for the period increased by approximately HK\$308.0 million, or approximately 1,425.9%, from a loss of approximately HK\$21.6 million for the Prior Period to that of approximately HK\$329.6 million for the Reporting Period.

## **FUTURE PLANS AND PROSPECTS**

The outbreak of the COVID-19 pandemic ended in January 2023. This has forced the Group to review and recalibrate its development strategies and planning. The overdue percentage of receivables factoring has increased substantially. Some of our receivable factoring clients have rolled over their principals into a new contract or settled their respective payments after the grace period. The credit risk has increased and higher than our expectations.

During 2022, the Group has explored the ideas of expanding in Hong Kong and the Greater Bay Area by way of acquisition of bars and restaurants. As the amount of NOD Union members had declined over 75%, the Group believes that the previous relationship with NOD Union may not be optimistic. Although the Group will also seek new contracts in cultural and entertainment in China, the Group also wants to shift some of its focus to bars and restaurants situated in Hong Kong and the Greater Bay Area. Currently the Group is contacting various parties for an acquisition of such business.

Looking ahead, the Group will take all possible and reasonable measures to improve the Group's operations and financial positions.

## **INTERIM DIVIDEND**

The board (the “**Board**”) of directors (the “**Director(s)**”) of the Company do not recommend the payment of an interim dividend for the Reporting Period (2021: HK\$Nil).

## **SIGNIFICANT INVESTMENTS**

Except for investment in its subsidiaries, the Group did not hold any significant investments during the Reporting Period.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

There was no specific plan for material investments or capital assets as at 31 December 2022.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

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

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL RESOURCES**

As at 31 December 2022, the Group's total current assets and current liabilities were approximately HK\$349.8 million (30 June 2022: approximately HK\$559.5 million) and approximately HK\$56.7 million (30 June 2022: approximately HK\$56.5 million) respectively, while the current ratio was about 6.2 times (30 June 2022: about 9.9 times).

The gearing ratio is the ratio of total debt divided by total assets. As at 31 December 2022, the gearing ratio was 12.3% (30 June 2022: 5.8%).

As at 31 December 2022, the Group maintained cash and cash equivalents of approximately HK\$4.0 million (30 June 2022: approximately HK\$71.8 million). The cash and cash equivalents of the Group as at 31 December 2022 was mainly denominated in Hong Kong dollars (“**HK\$**”) and Renminbi (“**RMB**”).

Cash and cash equivalent decreased by approximately HK\$67.8 million from approximately HK\$71.8 million to approximately HK\$4.0 million, representing a decrease of approximately 94.4%. This is primarily attributable to an increase in factoring receivable of approximately HK\$89.0 million during the Reporting period.

Equity securities listed in Hong Kong classified as financial assets at FVTPL with carrying amount of approximately HK\$0.3 million are placed in margin accounts of a regulated securities broker. No margin facility was utilised as at 31 December 2022 and 30 June 2022.

## **BORROWINGS**

In the foreseeable future, the Group expects to fund its capital expenditures, working capital and other capital requirements from internal resources and other financing means which the Company may from time to time consider appropriate. As at 31 December 2022, the Group's borrowings was approximately HK\$43.2 million (30 June 2022: approximately HK\$40.5 million).

The Group manages its capital to safeguard the Group's ability to continue as a going concern while maximising the return to shareholders through maintaining the equity and debt in a balanced position. As at 31 December 2022, the borrowings of approximately HK\$43.2 million were unsecured and fixed rate interest bearing debt securities.

## **FUND RAISING ACTIVITIES IN THE PAST SIX MONTHS**

Save as disclosed in "Event After the Reporting Period" below, there were no other equity fund raising activities of the Company during the Reporting Period.

## **CONTINGENT LIABILITIES**

The Group did not have any material contingent liabilities as at 31 December 2022 (30 June 2022: HK\$Nil).

## **CAPITAL COMMITMENTS**

The Group had no material capital commitments contracted but not provided as at 31 December 2022 (30 June 2022: HK\$Nil).

## **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 had not employed any financial instruments for hedging purpose.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2022, the Group had a total of 41 full-time employees in Hong Kong and the PRC (30 June 2022: 96 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 cost incurred by the Group for the Reporting Period was approximately HK\$7.1 million (2021: approximately HK\$9.0 million).

## **EVENT AFTER THE REPORTING PERIOD**

Details of the subsequent event(s) are disclosed below and in Note 26 to the consolidated financial statements.

Reference is made to the announcements of the Company dated 30 December 2022 and 20 January 2023, respectively in relation to the placing of 198,250,000 new shares of the Company to not less than six placees at the placing price of HK\$0.073 per placing share pursuant to the terms and conditions of a conditional placing agreement entered into between the Company and Kingsway Financial Services Group Limited (as placing agent) dated 30 December 2022 (the “**Placing**”).

The Placing was completed on 20 January 2023 and the net proceeds from the Placing at the time of its completion were approximately HK\$13.5 million. The intended use of proceeds is as follows: (i) approximately HK\$3.0 million or 22.2% of the net proceeds from the Placing towards the repayment of debts of the Group; (ii) approximately HK\$2.5 million or 18.5% of the net proceeds from the Placing towards potential investments when opportunities arise; and (iii) approximately HK\$8.0 million or 59.3% of the net proceeds from the Placing towards replenishment of the working capital of the Group to support its business operations.

The Board estimated that the time for utilising the net proceeds from the Placing will be by April 2023.

## **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 Period.

## **CORPORATE GOVERNANCE**

The Board regularly reviews the corporate governance practices and procedures of the Group. Throughout the Reporting Period, the Group has applied the principles and adopted all code provisions (the “**Code Provisions**”), where applicable as set out in the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Board is of the view that the Company has applied the principles and complied with all applicable Code Provisions as set out in the CG Code during the Reporting Period except for the following deviation:

- Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive 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**”), has been appointed as the chief executive officer of the Company (the “**CEO**”) since 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 identify and appoint a suitable and qualified candidate to the position of the CEO in due course by considering the business needs and development 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 Period.

## **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 enquiry made by the Company, each of the Directors confirmed that he/she had complied with the Model Code during the Reporting Period.

## **AUDIT COMMITTEE**

Pursuant to the requirements of the CG Code and the Listing Rules, the Company has established the audit committee of the Board (the “**Audit Committee**”) which consists of three independent non-executive Directors, namely Mr. Tsang Wing Ki (Chairman), Mr. Choi Hung Fai and Dr. Wong Kong Tin, *JP*.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Company. The Audit Committee had reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters concerning the unaudited consolidated results of the Group for the Reporting Period.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This announcement is published on the websites of the Company ([www.novahldg.com](http://www.novahldg.com)) and of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The interim report for the Reporting Period will be despatched to the shareholders of the Company and published on the same websites in due course.

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

Hong Kong, 24 February 2023

*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.*