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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2020

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 2020 (the “**Reporting Year**”) together with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Revenue	5	551,112	576,120
Cost of sales		(265,938)	(192,810)
Gross profit		285,174	383,310
Other income		27,674	17,312
Other gains and losses	6	(45,947)	506
Net gain/(loss) on financial assets at fair value through profit or loss (“ FVTPL ”)	6	8,679	(30,009)
Net gain/(loss) on change in fair value of contingent consideration payables		97,465	(23,255)
Impairment losses under expected credit loss model		(38,186)	–
Selling expenses		(25,830)	(20,331)
Administrative expenses		(60,821)	(110,301)
Operating profit		248,208	217,232
Finance costs		(37,988)	(22,665)

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Profit before tax	6	210,220	194,567
Taxation	7	<u>(68,050)</u>	<u>(88,514)</u>
Profit for the year		<u>142,170</u>	<u>106,053</u>
Other comprehensive expense			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		(23,109)	(12,849)
Release of exchange reserve upon deregistration of a subsidiary		<u>(2)</u>	<u>–</u>
Total comprehensive income for the year		<u>119,059</u>	<u>93,204</u>
Profit/(loss) for the year attributable to:			
Owners of the Company		137,097	106,251
Non-controlling interests		<u>5,073</u>	<u>(198)</u>
		<u>142,170</u>	<u>106,053</u>
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		114,044	93,411
Non-controlling interests		<u>5,015</u>	<u>(207)</u>
		<u>119,059</u>	<u>93,204</u>
Earnings per share attributable to owners of the Company:			
Basic (<i>HK cents</i>)	9	<u>9.30</u>	<u>7.30</u>
Diluted (<i>HK cents</i>)	9	<u>9.30</u>	<u>7.12</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i> (Restated)
Non-current assets			
Property, plant and equipment		3,593	4,738
Right-of-use assets		7,155	–
Intangible assets	<i>10</i>	14,291	30,344
Goodwill	<i>11</i>	276,397	314,541
Financial assets at FVTPL	<i>15</i>	24,581	7,977
Factoring receivables	<i>13</i>	66,627	–
Lease receivables	<i>14</i>	56,974	–
Prepayment and deposits		14,525	16,062
Deferred tax assets		805	1,465
		<u>464,948</u>	<u>375,127</u>
Current assets			
Inventories		5,755	2,159
Trade receivables	<i>12</i>	178,868	171,327
Factoring receivables	<i>13</i>	291,568	307,557
Lease receivables	<i>14</i>	23,386	–
Prepayments, deposits and other receivables		26,407	52,275
Financial assets at FVTPL	<i>15</i>	29,007	48,887
Income tax receivables		–	2,089
Cash and cash equivalents		137,431	212,951
		<u>692,422</u>	<u>797,245</u>
Current liabilities			
Trade payables	<i>16</i>	58,590	26,445
Receipts in advance		4,144	2,528
Contract liabilities		36,616	13,210
Accruals, deposits received and other payables		20,119	33,129
Lease liabilities		6,702	–
Contingent consideration payables	<i>17</i>	6,105	83,061
Corporate bonds	<i>18</i>	306,702	–
Income tax payables		8,990	26,655
		<u>447,968</u>	<u>185,028</u>
Net current assets		<u>244,454</u>	<u>612,217</u>
Total assets less current liabilities		<u>709,402</u>	<u>987,344</u>

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Non-current liabilities			
Contract liabilities		1,968	9,496
Lease liabilities		709	–
Contingent consideration payables	<i>17</i>	3,506	87,280
Corporate bonds	<i>18</i>	5,566	324,525
Convertible bonds/notes	<i>19</i>	–	23,345
		<u>11,749</u>	<u>444,646</u>
NET ASSETS		<u>697,653</u>	<u>542,698</u>
Capital and reserves			
Share capital	<i>20</i>	3,044	2,926
Reserves		689,437	543,940
		<u>692,481</u>	<u>546,866</u>
Equity attributable to owners of the Company		<u>692,481</u>	<u>546,866</u>
Non-controlling interests		5,172	(4,168)
		<u>697,653</u>	<u>542,698</u>
TOTAL EQUITY		<u>697,653</u>	<u>542,698</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

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 Suites 911–912, Level 9, One Pacific Place, 88 Queensway, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are organisation and sponsorship of exhibition 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

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 NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the above new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3.1 HKFRS 16 Leases (“HKFRS 16”)

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases (“HKAS 17”), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 July 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 July 2019.

As at 1 July 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16 C8(b)(ii) transition.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 10.39%.

	At 1 July 2019 <i>HK\$'000</i>
Operating lease commitments disclosed as at 30 June 2019	23,612
Less: Lease liabilities discounted at relevant incremental borrowing rates	(2,702)
Recognition exemption – short-term leases	(2,962)
Lease with term commencing after 1 July 2019	(1,454)
Lease liabilities as at 1 July 2019	<u>16,494</u>
Analysed as	
Current	7,703
Non-current	8,791
	<u>16,494</u>

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 July 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 30 June 2019 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1 July 2019 <i>HK\$'000</i>
Non-current asset			
Right-of-use assets	–	16,494	16,494
Current liability			
Lease liabilities	–	7,703	7,703
Non-current liability			
Lease liabilities	–	8,791	8,791

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 30 June 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 July 2019 as disclosed above.

New and amendments to HKFRSs in issue but not yet effective

The following new and amendments to HKFRSs have been issued but are not yet effective and have not been early adopted by the Group in preparing these consolidated financial statements:

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
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 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴
Amendment to HKFRS 16	COVID-19 Related Rent Concessions ⁵

¹ Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

² Effective for business combinations and asset acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

³ Effective date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.

⁵ Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

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

4. SEGMENT INFORMATION

Business segment

Information reported to the management of the Group, being the chief operating decision maker (“CODM”), 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:

Exhibition 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, contracting services and entertainment solution, trading of goods, artist agency services 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

	Exhibition and events		Cultural and entertainment		Financing		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	<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>
		(Restated)					(Restated)	
Revenue								
Segment revenue	46,297	35,398	475,006	537,907	57,805	31,698	579,108	605,003
Inter-segment revenue	-	(1,124)	(27,996)	(27,759)	-	-	(27,996)	(28,883)
Revenue from external customers	46,297	34,274	447,010	510,148	57,805	31,698	551,112	576,120
Results								
Segment results	(4,613)	15,651	246,977	281,923	52,254	27,963	294,618	325,537
Net gain/(loss) on financial assets at FVTPL							(5,268)	(14,390)
Unallocated income and other gains and losses							34	693
Unallocated administrative expenses							(41,745)	(94,608)
Finance costs							(37,419)	(22,665)
Profit before tax							210,220	194,567
Taxation							(68,050)	(88,514)
Profit for the year							142,170	106,053

Segment assets and liabilities

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

At 30 June

	Exhibition and events		Cultural and entertainment		Financing		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	<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>
	(Restated)						(Restated)	
Assets								
Segment assets	86,051	112,875	544,971	508,728	461,062	449,670	1,092,084	1,071,273
Unallocated corporate assets							65,286	101,099
							<u>1,157,370</u>	<u>1,172,372</u>
Liabilities								
Segment liabilities	6,815	28,666	119,140	242,748	6,735	6,021	132,690	277,435
Unallocated corporate liabilities							327,027	352,239
							<u>459,717</u>	<u>629,674</u>

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

	Exhibition and events		Cultural and entertainment		Financing		Unallocated		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	<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>
	(Restated)								(Restated)	
Depreciation of property, plant and equipment	(103)	(56)	(376)	(1,672)	(37)	(3)	(1,378)	(1,426)	(1,894)	(3,157)
Depreciation of right-of-use assets	(798)	–	(2,102)	–	–	–	(5,291)	–	(8,191)	–
Capital expenditures	(148)	(54)	(661)	(1,631)	(36)	(18)	(27)	(263)	(872)	(1,966)
Net gain/(loss) on financial assets at FVTPL	13,947	1,126	–	(16,745)	–	–	(5,268)	(14,390)	8,679	(30,009)
Net gain/(loss) on change in fair value of contingent consideration payables	7,084	53	90,381	(23,308)	–	–	–	–	97,465	(23,255)
Write-off of property, plant and equipment	–	(19)	(84)	–	–	–	–	–	(84)	(19)
Impairment losses under expected credit loss model	(10,245)	–	(27,376)	–	(565)	–	–	–	(38,186)	–
Impairment loss on goodwill	(29,694)	–	(7,650)	–	(800)	–	–	–	(38,144)	–
Impairment loss on intangible assets	(4,520)	–	–	–	–	–	–	–	(4,520)	–
Amortisation of intangible assets	(3,558)	(1,263)	(7,003)	(7,314)	–	–	–	–	(10,561)	(8,577)

Note: Capital expenditures included additions to property, plant and equipment, and excluded additions by acquisition of subsidiaries.

Geographical segments

The Group's operations are located in Hong Kong and other parts of 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		Non-current assets	
	Year ended 30 June		As at 30 June	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
Hong Kong	3,245	4,207	21,989	19,840
The PRC	547,867	571,913	417,573	345,845
	<u>551,112</u>	<u>576,120</u>	<u>439,562</u>	<u>365,685</u>

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

Information about major customers

There is no customer of the Group whose transactions have exceeded 10% of the Group's revenue for the year ended 30 June 2020 and 2019.

5. REVENUE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Organisation and sponsorship of exhibitions, event planning and related services	46,297	34,274
Contracting services and entertainment equipment solution	95,002	198,486
Brand management	19,791	34,893
Promotion and consulting services	195,658	276,769
Trading of goods	136,559	–
Financing income		
– credit factoring services	37,082	13,217
– finance leasing services	19,323	14,275
– money lending services	1,400	4,206
	<u>551,112</u>	<u>576,120</u>
Total	<u>551,112</u>	<u>576,120</u>
Timing of revenue recognition		
At point in time	362,067	346,858
Over time	131,240	197,564
	<u>493,307</u>	<u>544,422</u>
Revenue from contracts with customers	493,307	544,422
Revenue from other sources	57,805	31,698
	<u>551,112</u>	<u>576,120</u>
Total	<u>551,112</u>	<u>576,120</u>

6. PROFIT BEFORE TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Staff costs:		
Employee benefit expenses (including directors' emoluments)		
– Salaries, allowance and other benefits	22,941	17,540
– Retirement benefit scheme contributions	3,251	2,874
– Equity-settled share-based payment expenses	14,864	57,404
	<u>41,056</u>	<u>77,818</u>
Other items:		
Depreciation of property, plant and equipment	1,894	3,157
Depreciation of right-of-use assets	8,191	–
Amortisation of intangible assets (<i>Note 10</i>)	10,561	8,577
Net (gain)/loss on change in fair value of contingent consideration payables (<i>Note 17</i>)	(97,465)	23,255
Cost of inventories recognised in cost of sales	182,605	135,378
	<u>182,605</u>	<u>135,378</u>
Net (gain)/loss on financial assets at FVTPL:		
Proceeds on sales	(32,004)	–
Cost of sales	31,983	–
	<u>31,983</u>	<u>–</u>
Net realised gain on disposal of financial assets at FVTPL	(21)	–
Unrealised gain on fair value change of financial assets at FVTPL	(7,661)	–
Loss on fair value change of early redemption right	12,950	14,390
Loss on derecognition of profit guarantee	1,345	–
Net (gain)/loss on fair value change of profit guarantees	(15,292)	15,619
	<u>(15,292)</u>	<u>15,619</u>
Net (gain)/loss on financial assets at FVTPL	(8,679)	30,009
	<u>(8,679)</u>	<u>30,009</u>
Other (gains) and losses:		
Exchange losses/(gains), net	634	(531)
Gain on derecognition of lease	(251)	–
Impairment loss on goodwill (<i>Note 11</i>)	38,144	–
Impairment loss on intangible asset (<i>Note 10</i>)	4,520	–
Gain on disposal of intangible asset	–	(15)
Write-off of property, plant and equipment	84	19
Loss on disposal of subsidiaries	2,818	–
Gain on derecognition of a subsidiary	(2)	–
Others	–	21
	<u>45,947</u>	<u>(506)</u>

7. TAXATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax:		
– Hong Kong Profits Tax	68	1,220
– PRC Enterprise Income Tax	<u>64,573</u>	<u>82,798</u>
	<u>64,641</u>	<u>84,018</u>
Underprovision/(overprovision) in prior years:		
– Hong Kong Profits Tax	1,381	(97)
– PRC Enterprise Income Tax	<u>1,414</u>	<u>(5)</u>
	<u>2,795</u>	<u>(102)</u>
Deferred tax:		
– Current year	<u>614</u>	<u>4,598</u>
Total	<u><u>68,050</u></u>	<u><u>88,514</u></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%.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Group in the PRC is 25% for the years ended 30 June 2020 and 2019.

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 withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements.

8. DIVIDEND

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cash dividend proposed: Nil (2019: HK5.0 cents per share)	<u>–</u>	<u>73,145</u>

The Directors do not recommend payment of a final dividend for the year ended 30 June 2020 (2019: HK5.0 cents per share).

9. EARNINGS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Earnings		
Profit attributable to owners of the Company	<u>137,097</u>	<u>106,251</u>
	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,474,678,000	1,455,630,000
Effect of dilutive potential ordinary shares:		
Share options	<u>–</u>	<u>37,583,000</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,474,678,000</u>	<u>1,493,213,000</u>

For the year ended 30 June 2020, the computation of diluted earnings 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 shares, nor the conversion of the convertible bonds since their conversion would result in an increase in earnings per share. The basic and diluted earnings per share were the same for the year ended 30 June 2020.

For the year ended 30 June 2019, the computation of diluted earnings per share assume the exercise of the Company's outstanding share options as the exercise prices of the share options were lower than the average market price of the shares. The computation of diluted earnings per share does not assume the conversion of convertible bonds/note since their conversion would result in an increase in earnings per share.

10. INTANGIBLE ASSETS

	Exhibition holding right <i>HK\$'000</i> (Restated)	Trademarks and brands <i>HK\$'000</i>	Total <i>HK\$'000</i> (Restated)
Cost			
At 1 July 2018	–	29,791	29,791
Acquisition of a subsidiary	17,876	–	17,876
Disposals	–	(115)	(115)
Exchange realignment	(538)	(1,219)	(1,757)
	<u>17,338</u>	<u>28,457</u>	<u>45,795</u>
At 30 June 2019 and 1 July 2019	17,338	28,457	45,795
Exchange realignment	(618)	(1,014)	(1,632)
	<u>16,720</u>	<u>27,443</u>	<u>44,163</u>
At 30 June 2020	<u>16,720</u>	<u>27,443</u>	<u>44,163</u>
Accumulated amortisation and impairment			
At 1 July 2018	–	7,280	7,280
Charge for the year	1,263	7,314	8,577
Eliminated on disposals	–	(15)	(15)
Exchange realignment	(17)	(374)	(391)
	<u>1,246</u>	<u>14,205</u>	<u>15,451</u>
At 30 June 2019 and 1 July 2019	1,246	14,205	15,451
Charge for the year (<i>Note 6</i>)	3,558	7,003	10,561
Impairment loss recognised in profit or loss (<i>Note 6</i>)	4,520	–	4,520
Exchange realignment	(81)	(579)	(660)
	<u>9,243</u>	<u>20,629</u>	<u>29,872</u>
At 30 June 2020	<u>9,243</u>	<u>20,629</u>	<u>29,872</u>
Carrying amount			
At 30 June 2020	<u>7,477</u>	<u>6,814</u>	<u>14,291</u>
At 30 June 2019	<u>16,092</u>	<u>14,252</u>	<u>30,344</u>

11. GOODWILL

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Cost		
At the beginning of the year	314,541	290,982
Arising from acquisition of subsidiaries	–	23,559
At the end of the year	<u>314,541</u>	<u>314,541</u>
Impairment		
At the beginning of the year	–	–
Impairment loss recognised in profit or loss (<i>Note 6</i>)	38,144	–
At the end of the year	<u>38,144</u>	<u>–</u>
Carrying amounts	<u><u>276,397</u></u>	<u><u>314,541</u></u>

Goodwill acquired in business combinations is allocated to relevant cash generating units (“CGUs”) that is expected to benefit from the business combinations. The carrying amounts of goodwill are allocated according to the relevant CGUs as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Organisation of exhibitions, events planning and related services	29,429	59,123
Brand management and related services	38,354	46,004
Promotion and consulting services	208,180	208,180
Financing	434	1,234
	<u>276,397</u>	<u>314,541</u>

12. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables from contracts with customers	216,097	171,327
Less: allowance for credit losses	(37,229)	–
	<u>178,868</u>	<u>171,327</u>

The Group has a policy of allowing trade customers with credit terms of normally within 90 days except for contracting services and entertainment equipment solution which credit terms is normally 8 months and for trading of goods which credit terms is normally 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 based on dates when services are rendered/invoice dates is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–30 days	17,574	83,636
31–60 days	6,744	26,852
61–90 days	6,056	18,222
91–180 days	30,023	30,213
181–365 days	118,471	12,404
	<u>178,868</u>	<u>171,327</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–30 days	22,158	14,315
31–60 days	10,567	4,614
61–90 days	17,500	4,717
91–180 days	36,287	872
180–365 days	33,212	–
	<u>119,724</u>	<u>24,518</u>

The movements in allowance for credit losses on trade receivables are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At the beginning of the year	–	–
Amounts recognised during the year	37,621	–
Exchange realignment	(392)	–
	<u>37,229</u>	<u>–</u>

13. FACTORING RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Factoring receivables	357,718	306,271
Interest receivables from factoring receivables	912	1,286
Less: allowance for credit losses	<u>(435)</u>	<u>–</u>
	<u>358,195</u>	<u>307,557</u>
Analysed for reporting purposes as:		
Non-current assets	66,627	–
Current assets	<u>291,568</u>	<u>307,557</u>
	<u>358,195</u>	<u>307,557</u>

As of the end of the reporting period, the ageing analysis of factoring receivables, based on the maturity date of the contracts, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–30 days	1,211	37,705
31–90 days	7,960	85,181
91–365 days	282,397	184,671
Over 365 days	<u>66,627</u>	<u>–</u>
	<u>358,195</u>	<u>307,557</u>

Factoring receivables granted to customers are measured at amortised cost and generally for a period of 5 months to 3 years. The effective interest rate of factoring receivables as at 30 June 2020 range from 7.76% to 11.13% (2019: 15.00%) per annum.

The allowance for credit losses was measured at an amount equal to 12 months expected credit losses under general approach for factoring receivables. As at 30 June 2020 and 2019, no factoring receivables were past due.

The movements in allowance for credit losses on factoring receivables are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At the beginning of the year	–	–
Amounts recognised during the year	440	–
Exchange realignment	<u>(5)</u>	<u>–</u>
At the end of the year	<u>435</u>	<u>–</u>

14. LEASE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Lease receivables from sale-leaseback transactions	80,484	–
Less: allowance for credit losses	<u>(124)</u>	<u>–</u>
	<u>80,360</u>	<u>–</u>
Analysed for reporting purposes as:		
Current assets	23,386	–
Non-current assets	<u>56,974</u>	<u>–</u>
	<u>80,360</u>	<u>–</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within one year	23,386	–
More than one year but not exceeding two years	35,150	–
More than two years but not exceeding three years	<u>21,824</u>	<u>–</u>
	<u>80,360</u>	<u>–</u>

All leases are denominated in Renminbi (“RMB”). Lease receivable from sale-leaseback transactions are measured at amortised cost and generally for a period of 1 to 3 years. The effective interest rate of the lease receivables from sale-leaseback transactions as at 30 June 2020 range from 7.98% to 10.02% per annum.

Upon application of HKFRS 16, the Group, acting as a buyer-lessor, does not recognise the transferred asset if the sale-leaseback transaction does not satisfy the requirements of HKFRS 15 as a sale but accounted for as financing arrangement under HKFRS 9.

The allowance for credit losses was measured at an amount equal to 12 month expected credit losses under general approach for lease receivables from sale-leaseback transactions. As at 30 June 2020, no lease receivables from sale-leaseback transactions were past due.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At the beginning of the year	–	–
Amounts recognised during the year	125	–
Exchange realignment	(1)	–
	<hr/>	<hr/>
At the end of the year	124	–
	<hr/> <hr/>	<hr/> <hr/>

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit guarantees	24,581	10,634
Early redemption right from corporate bonds	3,280	16,230
Equity securities listed in Hong Kong	25,727	–
Unlisted investment fund	–	30,000
	<hr/>	<hr/>
	53,588	56,864
	<hr/> <hr/>	<hr/> <hr/>
Analysed for reporting purposes as:		
Current assets	29,007	48,887
Non-current assets	24,581	7,977
	<hr/>	<hr/>
	53,588	56,864
	<hr/> <hr/>	<hr/> <hr/>

Details of the profit guarantees are as follows:

Profit guarantees	Sparkle Mass Group HK\$'000	Fortune Selection Group HK\$'000	Cheer Sino Group HK\$'000	Shanghai Mijia Hemao HK\$'000	Total HK\$'000
At 1 July 2018	40	330	16,415	–	16,785
Arising from acquisition of subsidiaries	–	–	–	9,468	9,468
Gain/(loss) on change in fair value	<u>1,305</u>	<u>(330)</u>	<u>(16,415)</u>	<u>(179)</u>	<u>(15,619)</u>
At 30 June 2019 and 1 July 2019	1,345	–	–	9,289	10,634
Loss on derecognition of profit guarantee	(1,345)	–	–	–	(1,345)
Gain on change in fair value	<u>–</u>	<u>–</u>	<u>–</u>	<u>15,292</u>	<u>15,292</u>
At 30 June 2020	<u>–</u>	<u>–</u>	<u>–</u>	<u>24,581</u>	<u>24,581</u>

Details of other financial assets at fair value through profit or loss are as follow:

	Early redemption right HK\$'000	Equity securities listed in Hong Kong HK\$'000	Unlisted investment fund HK\$'000	Total HK\$'000
At 1 July 2018	–	–	–	–
Arising from the issue of corporate bonds	30,620	–	–	30,620
Addition	–	–	30,000	30,000
Loss on change in fair value	<u>(14,390)</u>	<u>–</u>	<u>–</u>	<u>(14,390)</u>
At 30 June 2019 and 1 July 2019	16,230	–	30,000	46,230
Addition	–	20,049	–	20,049
Disposal	–	(1,983)	(30,000)	(31,983)
Gain/(loss) on change in fair value	<u>(12,950)</u>	<u>7,661</u>	<u>–</u>	<u>(5,289)</u>
At 30 June 2020	<u>3,280</u>	<u>25,727</u>	<u>–</u>	<u>29,007</u>

16. TRADE PAYABLES

	2020 HK\$'000	2019 HK\$'000
Trade payables	<u>58,590</u>	<u>26,445</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–30 days	10,987	23,952
31–60 days	3,938	1,933
61–90 days	2,829	560
91–180 days	3,249	–
181–365 days	31,932	–
Over 1 year	5,655	–
	<u>58,590</u>	<u>26,445</u>

The average credit period ranged from 0–180 days.

17. CONTINGENT CONSIDERATION PAYABLES

	Fortune Selection Group <i>HK\$'000</i>	Cheer Sino Group <i>HK\$'000</i>	Shanghai Mijia Hema <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2018	30,442	151,979	–	182,421
Arising from acquisition of subsidiaries, at fair value	–	–	10,643	10,643
Reclassified to convertible bonds and convertible bonds reserve				
– liabilities portion	(6,616)	(23,010)	–	(29,626)
– equity portion	(8,605)	(7,747)	–	(16,352)
Loss/(gain) on change in fair value	<u>2,595</u>	<u>20,713</u>	<u>(53)</u>	<u>23,255</u>
At 30 June 2019 and 1 July 2019	17,816	141,935	10,590	170,341
Reclassified to convertible bonds and convertible bonds reserve (<i>Note 19</i>)				
– liabilities portion	(7,954)	(45,629)	–	(53,583)
– equity portion	(5,191)	(4,491)	–	(9,682)
Gain on change in fair value (<i>Note 6</i>)	<u>(4,671)</u>	<u>(85,710)</u>	<u>(7,084)</u>	<u>(97,465)</u>
At 30 June 2020	<u>–</u>	<u>6,105</u>	<u>3,506</u>	<u>9,611</u>

Analysed for reporting purposes as:

	2020 HK\$'000	2019 <i>HK\$'000</i>
Current liabilities	6,105	83,061
Non-current liabilities	3,506	87,280
Total	9,611	170,341

18. 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 2018	2,594	–	–	–	–	2,594
Principal value of the corporate bonds on initial recognition	–	1,000	2,000	2,000	–	5,000
Fair value of the corporate bonds on initial recognition	–	–	–	–	330,620	330,620
Direct transaction costs	–	(140)	(210)	(140)	(6,000)	(6,490)
	2,594	860	1,790	1,860	324,620	331,724
Effective interest expenses	277	79	140	120	21,600	22,216
Less: interest paid	(187)	(54)	(107)	(94)	(28,973)	(29,415)
At 30 June 2019 and 1 July 2019	2,684	885	1,823	1,886	317,247	324,525
Effective interest expenses	288	93	168	155	32,596	33,300
Less: interest paid	(187)	(63)	(125)	(120)	(45,062)	(45,557)
At 30 June 2020	2,785	915	1,866	1,921	304,781	312,268

Analysed for reporting purposes as:

	2020 HK\$'000	2019 <i>HK\$'000</i>
Current liabilities	306,702	–
Non-current liabilities	5,566	324,525
	312,268	324,525

19. CONVERTIBLE BONDS/NOTES

The equity component and liability component of convertible bonds (“CB”)/notes (“CN”) recognised at the end of the reporting period were calculated as follows:

	CB III <i>HK\$'000</i>	CB IV <i>HK\$'000</i>	CN I <i>HK\$'000</i>	CN II <i>HK\$'000</i>	Total <i>HK\$'000</i>
Equity component					
At 1 July 2018	–	–	–	–	–
Reclassified from contingent consideration payables	8,605	–	7,747	–	16,352
Conversion of convertible bond	<u>(8,605)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(8,605)</u>
At 30 June 2019 and 1 July 2019	–	–	7,747	–	7,747
Reclassified from contingent consideration payables (<i>Note 17</i>)	–	5,191	–	4,491	9,682
Conversion of convertible bond/notes	<u>–</u>	<u>(5,191)</u>	<u>(7,747)</u>	<u>(4,491)</u>	<u>(17,429)</u>
At 30 June 2020	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Liability component					
At 1 July 2018	–	–	–	–	–
Reclassified from contingent consideration payables	6,616	–	23,010	–	29,626
Effective interest expenses	114	–	335	–	449
Conversion of convertible bond	<u>(6,730)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(6,730)</u>
At 30 June 2019 and 1 July 2019	–	–	23,345	–	23,345
Reclassified from contingent consideration payables (<i>Note 17</i>)	–	7,954	–	45,629	53,583
Effective interest expenses	–	34	2,932	276	3,242
Conversion of convertible bond/notes	<u>–</u>	<u>(7,988)</u>	<u>(26,277)</u>	<u>(45,905)</u>	<u>(80,170)</u>
At 30 June 2020	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

20. SHARE CAPITAL

	Par value <i>HK\$</i>	Number of ordinary shares	Nominal value of ordinary shares <i>HK\$'000</i>
Authorised:			
At 1 July 2018, 30 June 2019, 1 July 2019 and 30 June 2020	0.002	<u>5,000,000,000</u>	<u>10,000</u>
Issued and fully paid:			
At 1 July 2018	0.002	1,454,200,000	2,908
Conversion of convertible bond (<i>Note a</i>)	0.002	<u>8,700,000</u>	<u>18</u>
At 30 June 2019 and 1 July 2019	0.002	1,462,900,000	2,926
Conversion of convertible bond/notes (<i>Note b</i>)	0.002	<u>58,973,223</u>	<u>118</u>
At 30 June 2020	0.002	<u>1,521,873,223</u>	<u>3,044</u>

Notes:

- (a) On 2 May 2019, CB III with principal amount of HK\$8,004,000 were converted into 8,700,000 shares at a conversion price of HK\$0.92 per ordinary share. The convertible bond was issued to the vendor upon the fulfilment of profit guarantee for the year ended 31 December 2018 relating to the acquisition of the entire equity interests of Fortune Selection Group.
- (b) On 1 April 2020, CB IV with principal amount of HK\$8,004,000 were converted into 8,700,000 shares at a conversion price of HK\$0.92 per ordinary share. The convertible bond was issued to the vendor upon the fulfilment of profit guarantee for the year ended 31 December 2019 relating to the acquisition of the entire equity interests of Fortune Selection Group.

On 22 April 2020, CN I and CN II with principal amount of HK\$34,000,000 and HK\$58,000,000 were converted into 18,579,234 and 31,693,989 shares respectively, both at a conversion price of HK\$1.83 per ordinary share. The convertible notes were issued to the vendor upon the fulfilment of profit guarantee relating to the acquisition of the entire equity interests of Cheer Sino Group.

21. PRIOR YEAR ADJUSTMENT

In preparing the consolidated financial statements for the year ended 30 June 2020, management of the Group has made corrections to the presentation and disclosure of certain transactions and balances in the consolidated financial statements for the year ended 30 June 2019. The corrections made are related to the recognition of intangible assets as goodwill in the consolidated statement of financial position as at 30 June 2019.

The Group has engaged an independent professional valuer, Peak Vision Appraisals Limited (“**Peak Vision**”), in October 2019 to carry out the valuations of the intangible assets arising from the acquisition of 上海米伽合貿展覽有限公司 (transliterated as Shanghai Mijia Hema Expo Co., Ltd.) at the completion date of the acquisition (“**Completion Date**”) and the year end date 30 June 2019. Based on the valuation reports, the fair values of the intangible asset as at the Completion Date was approximately HK\$17,876,000 (equivalent to RMB15,253,000).

Accordingly, the Company put through prior year adjustments to reclassify such amount from goodwill to intangible assets with the amortisation charge amounting to approximately HK\$1,263,000 (equivalent to RMB1,096,000) for the year ended 30 June 2019.

As a result of the above adjustments, comparative figures have been restated and summarised below.

For the year ended 30 June 2019

(i) Consolidated Statement of Comprehensive Income

	For the year ended 30 June 2019 HK\$'000
Profit for the year, as previously reported	107,316
Amortisation recognised as a result of recognition of intangible asset	(1,263)
	<hr/>
Profit for the year, as restated	106,053
	<hr/> <hr/>
Basic earnings per share, HK cents, as previously reported	7.39
	<hr/> <hr/>
Basic earnings per share, HK cents, as restated	7.30
	<hr/> <hr/>
Diluted earnings per share, HK cents, as previously reported	7.20
	<hr/> <hr/>
Diluted earnings per share, HK cents, as restated	7.12
	<hr/> <hr/>
Other comprehensive expense	
Other comprehensive expense for the year, as previously reported	(12,328)
Exchange differences on translation of foreign operations	(521)
	<hr/>
Other comprehensive expense for the year, as restated	(12,849)
	<hr/> <hr/>

(ii) *Consolidated Statement of Financial Position*

	As at 30 June 2019		
	As previously reported HK\$'000	Adjustments HK\$'000	As restated HK\$'000
Assets and liabilities			
– Goodwill	332,417	(17,876)	314,541
– Intangible assets	14,252	16,092	30,344
Total effect on assets and liabilities	<u>346,669</u>	<u>(1,784)</u>	<u>344,885</u>
Equity			
– Retained earnings	124,005	(1,263)	122,742
– Exchange reserve	(16,113)	(521)	(16,634)
Total effect on equity	<u>107,892</u>	<u>(1,784)</u>	<u>106,108</u>

22. COMPARATIVE FIGURES

Certain comparative figures have been adjusted and reclassified to conform with the disclosure requirement in respect of the prior year adjustments and segments reorganisation to the consolidated financial statements. The comparative figures in the consolidated statement of financial position and disclosure notes have been restated.

23. EVENTS AFTER THE REPORTING PERIOD

On 20 August 2020, a total of 292,500,000 shares have been placed by the placing agent to not less than six places at the pricing of HK\$0.13 per share pursuant to the terms and conditions of the placing agreement. References are made to the announcements of the Company dated 24 July 2020 and 20 August 2020.

On 11 September 2020, the Company executed a supplemental deed poll for the unsecured corporate bonds with principal amount of HK\$300,000,000 to amend the maturity date from 7 November 2020 into two maturity dates, 7 November 2020 (“**1st Maturity Date**”) and 7 November 2021 (“**2nd Maturity Date**”). The principal amount of the corporate bonds to be redeemed by the Company on the 1st Maturity Date shall be such amount where the remaining balance of the outstanding principal amount of the corporate bonds immediately after redemption on the 1st Maturity Date shall not be more than HK\$200,000,000, and the accrued but unpaid interest on such outstanding bonds will be due on the 1st Maturity Date. The aggregate principal amount of all the outstanding corporate bonds and any accrued but unpaid interest on such outstanding corporate bonds will be due on the 2nd Maturity Date. References are made to the announcements of the Company dated 16 October 2018, 5 November 2018, 8 November 2018 and 11 September 2020.

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. After a few years' development of 諾笛聯盟平台 (transliterated as “**NOD Union Platform**” or “**NOD Union**”), the Group maintains a good relationship with suppliers and NOD Union members. It has become a core competitive edge of the Group. With the growing reputation of NOD Union in the People's Republic of China (the “**PRC**” or “**China**”), the Group is able to build up business cooperations with new suppliers such as several reputable distribution agents of popular liquors and famous e-cigarettes brand companies in trading and product promotion markets.

However, the economic environment changed since January 2020 due to the outbreak of the coronavirus disease 2019 (“**COVID-19**”), lots of our customers and NOD Union members had closed or suspended their business. In view of the uncertain situation, the Group took a relatively prudent direction in its traditional market and seek opportunities in online market. With the synergic advantages of NOD Union Platform, the developing e-platform, 八爪娛 (transliterated as “**Octopus Entertainment**”), is expected to be launched in the near future.

Exhibition and Events Business

Exhibition industry experienced difficulties in operations, mainly due to the social instability in Hong Kong and the outbreak of COVID-19.

During the Reporting Year, the Group has generated an increase in revenue in the organisation and sponsorship of exhibition and events, benefited from the acquisition of a subsidiary in the year ended 30 June 2019 (the “**Prior Year**”) which has contributed a revenue of approximately HK\$21.47 million, equivalent to approximately RMB19.38 million, to the Group in the Reporting Year. The Group launched an “unmanned self-serviced stores exhibition” and the first edition of Important Product Tracing Expo from 21 August 2019 to 23 August 2019 in Shanghai Hongqiao National Exhibition Centre.

The overall exhibition and events business performance was strengthened and the segment revenue increased by approximately HK\$12.03 million, or approximately 35.10% from approximately HK\$34.27 million for the Prior Year to approximately HK\$46.30 million for the Reporting Year. It represented 8.40% (2019: 5.95%) of the total revenue.

Facing the challenges, the Group will continue to be prudent in managing its exhibition and events business operations and evaluating business development opportunity to create greater value to the shareholders.

Cultural and Entertainment Business

The operations through our cultural and entertainment comprehensive services platform are currently divided into the following services components:

1. Brand management and related services:

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

2. Promotion and consulting services:

Providing product promoting services, such as wine, e-cigarette and power bank; systematic entertainment solution and advisory services, including entertainment management consulting, event planning, online marketing; disc jockey and artist agency services; and other ad hoc consultancy services;

3. Contracting services and entertainment equipment solution:

Providing and supplying customised and thematic entertainment equipment and software materials integration services to customers, which enable good stage and visual effect, such as thematic equipment of bar lighting, audio and audio system, stage machinery and etc.;

4. Trading of goods:

Trading of wine and liquor, e-cigarettes and daily supplies to entertainment stores and NOD Union members.

During the Reporting Year, the Group has embarked wine & liquor supplying and solution services to entertainment stores and NOD Union members. The Group will continue to review the business operation from time to time to meet the Group’s current and future business strategy.

During the Reporting Year, the overall cultural and entertainment business performance was weak after the outbreak of COVID-19 and the segment revenue decreased by approximately HK\$63.14 million, or approximately 12.38% from approximately HK\$510.15 million for the Prior Year to approximately HK\$447.01 million for the Reporting Year. It represented 81.11% (2019: 88.55%) of the total revenue.

	For the year ended	
	30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Brand management and related services	19,791	34,893
Promotion and consulting services	195,658	276,769
Contracting services and entertainment equipment solution	95,002	198,486
Trading of goods	136,559	–
	<u>447,010</u>	<u>510,148</u>

Financing Business

The financing business comprises money lending, finance leasing and credit factoring services to independent individuals/corporate and NOD Union members.

Money lending

The revenue from money lending has decreased by approximately HK\$2.81 million, or approximately 66.75%, from approximately HK\$4.21 million for the Prior Year to approximately HK\$1.40 million for the Reporting Year. The Group always insists on meeting customer needs and maximising customer value at the starting point.

Finance leasing

The revenue from finance leasing has increased by approximately HK\$5.05 million, or approximately 35.39%, from approximately HK\$14.27 million for the Prior Year to approximately HK\$19.32 million for the Reporting Year. The Group focused on expanding its small and medium-sized leasing from sale and leaseback business and centering on the cultural and entertainment to cultivate high quality finance leasing customers.

Credit factoring

The revenue from credit factoring has increased by approximately HK\$23.86 million, or approximately 180.48%, from approximately HK\$13.22 million for the Prior Year to approximately HK\$37.08 million for the Reporting Year.

Our credit factoring business allows customers to free up cash tied up in unpaid invoices. The finance period given to customers ranges from 5 months to 3 years and the finance service allows business owners to release up to 80% invoice value. We have widened our customer base during the Reporting Year, the number of factoring customers has been increased more than double as compared with that in the Prior Year.

The aggregate revenue from financing business has increased by approximately HK\$26.11 million, or approximately 82.37% from approximately HK\$31.70 million for the Prior Year to approximately HK\$57.81 million for the Reporting Year. It represented 10.49% (2019: 5.50%) of the total revenue.

FINANCIAL REVIEW

During the Reporting Year, the Group has achieved approximately HK\$551.11 million in revenue, representing a decrease of approximately 4.34% as compared with that of approximately HK\$576.12 million in the Prior Year. Operating profit for the Reporting Year was approximately HK\$248.21 million, representing an increase of approximately 14.26% as compared with that of approximately HK\$217.23 million in the Prior Year as a result of (i) the increase in net gain on financial assets at FVTPL and net gain on change in fair value of contingent consideration payables; and (ii) the decrease in administrative expenses.

The following table sets forth the performance of the Group for the Reporting Year with comparative figures for the Prior Year presented:

	For the year ended	
	30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Revenue	551,112	576,120
Operating profit	248,208	217,232
Operating profit margin (%)	45.04%	37.71%
Profit for the year	142,170	106,053

Revenue

The revenue has decreased by approximately HK\$25.01 million, or approximately 4.34%, from approximately HK\$576.12 million for the Prior Year to approximately HK\$551.11 million for the Reporting Year. The deterioration was primarily due to the combined effect in the cultural and entertainment segment of (i) the decreased revenue derived from contracting services for approximately HK\$103.48 million due to the outbreak of COVID-19; and (ii) the decreased revenue derived from promotion and consulting services for approximately HK\$80.54 million as a result of the outbreak of COVID-19, which effect was offset by the revenue derived from the new business of trading of goods amounted to approximately HK\$135.99 million.

Administrative Expenses

The Group's administrative expenses has decreased by approximately HK\$49.48 million, or approximately 44.86%, from approximately HK\$110.30 million for the Prior Year to approximately HK\$60.82 million for the Reporting Year. Such decrease was primarily due to the decrease in equity-settled share-based payment expenses of approximately HK\$42.54 million.

Operating Profit and Operating Profit Margin

As a result of the foregoing, the Group's operating profit has increased by approximately HK\$30.98 million, or approximately 14.26%, from approximately HK\$217.23 million for the Prior Year to approximately HK\$248.21 million for the Reporting Year. The Group's operating profit margin has increased from approximately 37.71% for the Prior Year to approximately 45.04% for the Reporting Year. The increase was mainly due to (i) the increase in gain on change in fair value of contingent consideration payables and the increase in gain on financial assets at FVTPL; and (ii) the decrease in administrative expenses.

Impairment Losses under Expected Credit Loss Model

During the Reporting Year, the Group recognises impairment losses for those past due receivables due to the risk of uncertain developments in the economic condition.

Many of our customers experienced significant reduction in revenue due to the economic devastation brought by the outbreak of COVID-19. The account receivables' aging period is longer than usual. Based on the historical payment record, we believe that our customers have the ability to settle the receivables in longer credit period of time. Subsequent to the end of the reporting period, most of the customers have partially settled the bills.

Gain on Change in Fair Value of Contingent Consideration Payables

The Group's gain on change in fair value of contingent consideration payables has increased significantly to approximately HK\$97.47 million, or approximately 519.05% for the Reporting Year (2019: loss of approximately HK\$23.26 million), primarily due to the significant change in fair value of contingent consideration payables as the Company's share price decreased. The gain on fair value changes in contingent consideration payable was unrealised gain and has no impact on the cash flow of the Group.

Profit for the Year Attributable to the Owners of the Company

The Group's profit for the year attributable to the owners of the Company has increased by approximately HK\$30.85 million, or approximately 29.04%, from approximately HK\$106.25 million for the Prior Year to approximately HK\$137.10 million for the Reporting Year.

SIGNIFICANT INVESTMENTS

Significant investments in terms of market value as at 30 June 2020 and 2019

A list of stocks in terms of market value as at 30 June 2020

Name of stock listed in the Stock Exchange	Brief description of the business	Number of units held as at 30 June 2020	Investment cost as at 30 June 2020 <i>HK\$'000</i>	Market value as at 30 June 2020 <i>HK\$'000</i>	Percentage to total assets value of the Group as at 30 June 2020
HSBC Holdings plc (stock code: 0005)	Banking services	5,200	312	188	0.02%
China U-Ton Future Space Industrial Group Holdings Limited (stock code: 6168)	Provision of design, deployment and maintenance of optical fibers services, other communication network services, environmentally intelligent technical products and services, and money lending services	85,130,000	17,754	25,539	2.21%

A list of stocks in terms of market value as at 30 June 2019

Name of unlisted investment	Brief description of the business	Number of units held as at 30 June 2019	Investment cost as at 30 June 2019 <i>HK\$'000</i>	Market value as at 30 June 2019 <i>HK\$'000</i>	Percentage to total assets value of the Group as at 30 June 2019
Lan Kwai Fong Fund SP	Class A Shares and Class B Shares participating in Lan Kwai Fong Fund SP registered with the United States Internal Revenue Service. It uses rational leverage through structured instruments and invests in fixed-income varieties safe high-yield fund	–	30,000	30,000	2.56%

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL RESOURCES

As at 30 June 2020, the Group's total current assets and current liabilities, were approximately HK\$692.42 million (2019: approximately HK\$797.25 million) and approximately HK\$447.97 million (2019: approximately HK\$185.03 million), respectively, while the current ratio was about 1.55 times (2019: about 4.31 times).

As at 30 June 2020, the Group maintained cash and cash equivalents of approximately HK\$137.43 million (2019: approximately HK\$212.95 million). The cash and cash equivalents of the Group as at 30 June 2020 was mainly denominated in Hong Kong dollars (“**HK\$**”) and Renminbi (“**RMB**”).

Equity securities listed in Hong Kong classified as financial assets at FVTPL with carrying amount of approximately HK\$25,727,000 are placed in margin accounts of a regulated securities broker. No margin facility was utilised as at 30 June 2020.

As at 30 June 2020 and 2019, the Group did not have any material contingent liabilities.

Capital Commitments

As at 30 June 2020, the Group had capital commitments contracted but not provided for in respect of acquisition of property, plant and equipment of approximately HK\$20.40 million (2019: approximately HK\$21.16 million).

Capital Structure

As at 30 June 2020, the Company's issued share capital was approximately HK\$3.04 million (2019: approximately HK\$2.93 million) with 1,521,873,223 (2019: 1,462,900,000) ordinary shares of HK\$0.002 each in issue. The increase in the issued number of shares was primarily due to the issuance of 58,973,223 ordinary shares for (i) the exercise of the conversion rights attached to the fourth convertible bond with principal amount of approximately HK\$8.00 million in relation to the acquisition of the entire share capital of Fortune Selection Limited and its subsidiaries; and (ii) the exercise of the conversion rights attached to the first and the second convertible notes with principal amount of HK\$34.00 million and HK\$58.00 million, respectively in relation to the acquisition of Cheer Sino Investment Holdings Limited and its subsidiaries.

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 2020, the Group's borrowings was approximately HK\$312.27 million (2019: approximately HK\$347.87 million).

	As at 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Borrowings		
Within 1 year	306,702	–
Over 1 year and within 5 years	<u>5,566</u>	<u>347,870</u>
Total	<u><u>312,268</u></u>	<u><u>347,870</u></u>

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 30 June 2020, the borrowings of approximately HK\$312.27 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 2020 the gearing ratio was 26.98% (2019: 29.67%).

DIVIDEND

The Directors do not recommend the payment of final dividend for the Reporting Year (2019: HK5.0 cents per share).

SUBSEQUENT EVENTS

Details of the subsequent events are disclosed in Note 23 to the consolidated financial statements.

FUTURE PLANS AND PROSPECTS

The year of 2019/20 was full of challenges. Numerous issues happened and remained unpredictable. The China-US trade war may not end soon, the uncertainty of the social unrest in Hong Kong and the outbreak of COVID-19, resulting in a sharp decline in the global economy. Accordingly, the Group expects the revenue and profit will decrease in the coming year.

The recent escalation of COVID-19 to a global pandemic has an adverse impact on market sentiments and posed challenges to the whole world. The Group continues to closely monitor the development of the pandemic and takes all possible and reasonable measures to mitigate the effect on the Group's operations.

However, an optimist sees opportunity in every difficulty. Online business is boosting, the Group would expedite the process of the e-platform to shift some of the promotion and marketing workload to online business and to explore new business opportunities. The Group targets to improve its online promotion platform to be a trading e-platform in order to strengthen the protection of its client's interests and be prepared for the market fluctuations.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save as disclosed below, there was no other equity fund raising activity of the Company during the last 12 months prior to the date of this announcement:

Date of announcements	Fund raising activity	Approximate net proceeds	Intended use of proceeds	Actual use of proceeds
24 July 2020, 20 August 2020	Placing of new shares under general mandate	HK\$37.16 million	(i) Repayment of certain debts; and (ii) General working capital of the Group	Used as intended

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

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 (“US\$”) 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 2020, the Group had a total of 154 full-time employees in Hong Kong and the PRC (2019: 184 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 compensation package 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.

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 and Corporate Governance Report (the “CG Code”) as contained in Appendix 14 to the Rules (the “Listing Rules”) Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (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 deviation:

- Pursuant to code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Qiu Peiyuan, being an independent non-executive Director, could not attend the annual general meeting of the Company held on 6 December 2019 because of his other business commitments. Aiming for compliance with this provision, the Company will furnish all Directors with appropriate information of all general meetings and take all reasonable measures to arrange the schedule in such a cautious way to enable all Directors to attend the general meetings as far as possible.

Except for the above deviation 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 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 4 December 2020 (or any adjournment thereof), the register of members of the Company will be closed from Tuesday, 1 December 2020 to Friday, 4 December 2020, both days inclusive, during which period 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 Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 30 November 2020.

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

Hong Kong, 25 September 2020

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