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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 2021

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 2021 (the “**Reporting Year**”) together with comparative figures for the year ended 30 June 2020 (the “**Prior Year**” or “**2020**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	5	228,069	551,112
Cost of sales		(107,109)	(265,938)
Gross profit		120,960	285,174
Other income	6	8,543	27,674
Other gains and losses	7	(26,353)	(45,947)
Net (loss)/gain on financial assets at fair value through profit or loss (“ FVTPL ”)	7	(17,976)	8,679
Net gain on change in fair value of contingent consideration payables	7	914	97,465
Impairment losses under expected credit loss model, net of reversal		28,914	(38,186)
Selling expenses		(14,562)	(25,830)
Administrative expenses		(43,695)	(60,821)
Operating profit		56,745	248,208
Finance costs		(21,057)	(37,988)

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Profit before tax	7	35,688	210,220
Taxation	8	(41,135)	(68,050)
(Loss)/profit for the year		(5,447)	142,170
Other comprehensive income/(expenses)			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		54,681	(23,109)
Release of exchange reserve upon disposal of subsidiaries		(1,070)	(2)
Release of exchange reserve upon deregistration of subsidiaries		(1,627)	–
Other comprehensive income/(expenses) for the year		51,984	(23,111)
Total comprehensive income for the year		46,537	119,059
(Loss)/profit for the year attributable to:			
Owners of the Company		(822)	137,097
Non-controlling interests		(4,625)	5,073
		(5,447)	142,170
Total comprehensive income/(expenses) for the year attributable to:			
Owners of the Company		51,162	114,044
Non-controlling interests		(4,625)	5,015
		46,537	119,059
(Loss)/earnings per share attributable to owners of the Company:			
Basic (<i>HK cents</i>)	10	(0.05)	9.30
Diluted (<i>HK cents</i>)	10	(0.05)	9.30

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment		1,767	3,593
Right-of-use assets		3,463	7,155
Intangible assets	11	2,210	14,291
Goodwill	12	240,450	276,397
Financial assets at FVTPL	17	–	24,581
Factoring receivables	14	33,142	66,627
Lease receivables	15	30,248	56,974
Prepayment and deposits		442	14,525
Deferred tax assets		809	805
		<u>312,531</u>	<u>464,948</u>
Current assets			
Inventories		3,991	5,755
Trade receivables	13	48,814	178,868
Factoring receivables	14	320,917	291,568
Lease receivables	15	48,896	23,386
Loan receivables	16	21,523	–
Prepayments, deposits and other receivables		53,306	26,407
Financial assets at FVTPL	17	1,950	29,007
Income tax receivables		1,135	–
Cash and cash equivalents		69,059	137,431
		<u>569,591</u>	<u>692,422</u>
Current liabilities			
Trade payables	18	8,611	58,590
Receipts in advance		4,252	4,144
Contract liabilities		4,360	36,616
Accruals, deposits received and other payables		8,578	20,119
Lease liabilities		1,311	6,702
Contingent consideration payables		–	6,105
Corporate bonds	19	65,813	306,702
Income tax payables		2,852	8,990
		<u>95,777</u>	<u>447,968</u>
Net current assets		<u>473,814</u>	<u>244,454</u>
Total assets less current liabilities		<u>786,345</u>	<u>709,402</u>

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Non-current liabilities			
Contract liabilities		61	1,968
Lease liabilities		2,415	709
Contingent consideration payables		–	3,506
Corporate bonds	<i>19</i>	952	5,566
		<u>3,428</u>	<u>11,749</u>
NET ASSETS		<u>782,917</u>	<u>697,653</u>
Capital and reserves			
Share capital	<i>20</i>	3,712	3,044
Reserves		779,205	689,437
Equity attributable to owners of the Company		782,917	692,481
Non-controlling interests		–	5,172
TOTAL EQUITY		<u>782,917</u>	<u>697,653</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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 has been changed from Suites 911–912, Level 9, One Pacific Place, 88 Queensway, Hong Kong to Room 2102, 21/F., Tower One, Lippo Centre, 89 Queensway, Hong Kong since 24 May 2021.

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

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

2. BASIS OF PREPARATION

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

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

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and 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 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	Impact of COVID-19 on Related Rent Concessions

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

New and 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 and the related Amendments ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ⁴
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁴
Amendments to HKAS 8	Definition of Accounting Estimates ⁴
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction ⁴
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ³

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 April 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 January 2023

⁵ Effective for annual periods beginning on or after a date to be determined

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 segments

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:

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

Segment revenue and results

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

For the year ended 30 June

	Exhibitions and events		Cultural and entertainment		Financing		Total	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue								
Segment revenue	177	46,297	198,933	475,006	52,622	57,805	251,732	579,108
Inter-segment revenue	(55)	–	(23,608)	(27,996)	–	–	(23,663)	(27,996)
Revenue from external customers	<u>122</u>	<u>46,297</u>	<u>175,325</u>	<u>447,010</u>	<u>52,622</u>	<u>57,805</u>	<u>228,069</u>	<u>551,112</u>
Results								
Segment results	<u>(31,237)</u>	<u>(4,613)</u>	<u>77,595</u>	<u>246,977</u>	<u>48,954</u>	<u>52,254</u>	<u>95,312</u>	294,618
Unallocated net loss on financial assets at FVTPL							(17,976)	(5,268)
Unallocated impairment loss under expected credit loss model, net of reversal							(8,006)	–
Unallocated income and other gains and losses							1,393	34
Unallocated corporate expenses							(14,105)	(41,745)
Finance costs							<u>(20,930)</u>	<u>(37,419)</u>
Profit before tax							<u>35,688</u>	210,220
Taxation							<u>(41,135)</u>	<u>(68,050)</u>
(Loss)/profit for the year							<u>(5,447)</u>	<u>142,170</u>

Segment assets and liabilities

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

At 30 June

	Exhibitions and events		Cultural and entertainment		Financing		Total	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Assets								
Segment assets	1,741	86,051	388,727	544,971	470,975	461,062	861,443	1,092,084
Unallocated corporate assets							20,679	65,286
							<u>882,122</u>	<u>1,157,370</u>
Liabilities								
Segment liabilities	152	6,815	19,420	119,140	7,476	6,735	27,048	132,690
Unallocated corporate liabilities							72,157	327,027
							<u>99,205</u>	<u>459,717</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

	Exhibitions and events		Cultural and entertainment		Financing		Unallocated		Total	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Depreciation of property, plant and equipment	(65)	(103)	(563)	(376)	(41)	(37)	(1,234)	(1,378)	(1,903)	(1,894)
Depreciation of right-of-use assets	(177)	(798)	(1,017)	(2,102)	-	-	(5,485)	(5,291)	(6,679)	(8,191)
Capital expenditures	-	(148)	(21)	(661)	(36)	(36)	(160)	(27)	(217)	(872)
Net (loss)/gain on financial assets at FVTPL	-	13,947	-	-	-	-	(17,976)	(5,268)	(17,976)	8,679
Net gain on change in fair value of contingent consideration payables	-	7,084	914	90,381	-	-	-	-	914	97,465
Write-off of property, plant and equipment	-	-	(9)	(84)	-	-	-	-	(9)	(84)
Impairment losses under expected credit loss model, net of reversal	8,742	(10,245)	28,128	(27,376)	50	(565)	(8,006)	-	28,914	(38,186)
Impairment loss on goodwill	(29,429)	(29,694)	(6,518)	(7,650)	-	(800)	-	-	(35,947)	(38,144)
Impairment loss on intangible assets	-	(4,520)	-	-	-	-	-	-	-	(4,520)
Amortisation of intangible assets	-	(3,558)	(5,140)	(7,003)	-	-	-	-	(5,140)	(10,561)

Geographical segments

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

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

	Revenue from external customers		Non-current assets	
	Year ended 30 June		As at 30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	1,641	3,245	5,069	21,989
The PRC	226,428	547,867	306,653	417,573
	<u>228,069</u>	<u>551,112</u>	<u>311,722</u>	<u>439,562</u>

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

Information about major customers

There was no customer of the Group whose transactions have exceeded 10% of the Group's revenue for both the years ended 30 June 2021 and 2020.

5. REVENUE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Organisation and sponsorship of exhibitions, event planning and related services	122	46,297
Contracting services and entertainment equipment solution	–	95,002
Brand management	10,389	19,791
Promotion and consulting services	60,373	195,658
Trading of goods	104,563	136,559
Financing income		
— Credit factoring services	41,665	37,082
— Finance leasing services	9,317	19,323
— Money lending services	1,640	1,400
Total	228,069	551,112
Timing of revenue recognition		
At point in time	131,443	362,067
Over time	44,004	131,240
Revenue from contracts with customers	175,447	493,307
Revenue from other sources	52,622	57,805
Total	228,069	551,112

6. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-refundable trade deposits forfeited	902	244
Government grants (<i>Note</i>)	7,281	26,765
Interest income	163	456
Sundry income	197	209
	8,543	27,674

Note:

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

7. PROFIT BEFORE TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Staff costs:		
Employee benefit expenses (including directors' emoluments)		
— Salaries, allowance and other benefits	26,619	22,941
— Retirement benefit scheme contributions	1,668	3,251
— Equity-settled share-based payment expenses	–	14,864
	<u>28,287</u>	<u>41,056</u>
Other items:		
Depreciation of property, plant and equipment	1,903	1,894
Depreciation of right-of-use assets	6,679	8,191
Amortisation of intangible assets (<i>Note 11</i>)	5,140	10,561
Auditor's remuneration		
— Audit services	1,150	1,500
— Non-audit services	240	300
Net gain on change in fair value of contingent consideration payables	(914)	(97,465)
Cost of inventories recognised in cost of sales	83,642	182,605
Expense relating to short-term leases and other lease with lease terms ending within 12 months	1,446	2,793
	<u>17,976</u>	<u>(8,679)</u>
Net loss/(gain) on financial assets at FVTPL:		
Proceeds on sales	(9,081)	(32,004)
Cost of sales	12,544	31,983
	<u>3,463</u>	<u>(21)</u>
Net realised loss/(gain) on disposal of financial assets at FVTPL	3,463	(21)
Unrealised loss/(gain) on fair value change of financial assets at FVTPL	12,950	(7,661)
Loss on fair value change of early redemption right	1,563	12,950
Loss on derecognition of profit guarantee	–	1,345
Net gain on fair value change of profit guarantees	–	(15,292)
	<u>17,976</u>	<u>(8,679)</u>
Other (gains) and losses:		
Exchange (gains)/losses, net	(6,204)	634
Gain on derecognition of lease	(225)	(251)
Impairment loss on goodwill (<i>Note 12</i>)	35,947	38,144
Impairment loss on intangible asset (<i>Note 11</i>)	–	4,520
Write-off of property, plant and equipment	9	84
(Gain)/loss on disposal of subsidiaries (<i>Note 21</i>)	(2,412)	2,818
Gain on derecognition of subsidiaries	(4,630)	(2)
Gain on early redemption of corporate bonds (<i>Note 19</i>)	(9,040)	–
Loss on non-substantial modification of corporate bond (<i>Note 19</i>)	12,908	–
	<u>26,353</u>	<u>45,947</u>

8. TAXATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax:		
— Hong Kong Profits Tax	—	68
— PRC Enterprise Income Tax	19,035	64,573
— Withholding tax on remitted earnings	22,474	—
	<u>41,509</u>	<u>64,641</u>
(Overprovision)/underprovision in prior years:		
— Hong Kong Profits Tax	—	1,381
— PRC Enterprise Income Tax	(447)	1,414
	<u>(447)</u>	<u>2,795</u>
Deferred tax:		
— Current year	73	614
Total	<u>41,135</u>	<u>68,050</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%. Hong Kong Profit Tax is calculated at 16.5% of the estimated assessable profit for the years ended 30 June 2021 and 2020. No provision for Hong Kong Profit Tax has been made for the Reporting Year since the Group has sufficient tax loss brought forward to set-off against current year's estimated assessable profits.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries of the Group in the PRC is 25% for the years ended 30 June 2021 and 2020.

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.

9. DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2021 (2020: Nil).

10. (LOSS)/EARNINGS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company	<u>(822)</u>	<u>137,097</u>
	2021 '000	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<u>1,778,994</u>	<u>1,474,678</u>
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u>1,778,994</u>	<u>1,474,678</u>

For the years ended 30 June 2021 and 2020, the computation of diluted (loss)/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 the shares of the Company. The basic and diluted (loss)/earnings per share were the same for the years ended 30 June 2021 and 2020.

11. INTANGIBLE ASSETS

	Exhibition holding right <i>HK\$'000</i>	Trademarks and brands <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost			
At 1 July 2019	17,338	28,457	45,795
Exchange realignment	(618)	(1,014)	(1,632)
	<hr/>	<hr/>	<hr/>
At 30 June 2020 and 1 July 2020	16,720	27,443	44,163
Disposal of subsidiaries	(16,720)	–	(16,720)
Exchange realignment	–	2,675	2,675
	<hr/>	<hr/>	<hr/>
At 30 June 2021	–	30,118	30,118
	<hr/>	<hr/>	<hr/>
Accumulated amortisation and impairment			
At 1 July 2019	1,246	14,205	15,451
Charge for the year	3,558	7,003	10,561
Impairment loss recognised in profit or loss	4,520	–	4,520
Exchange realignment	(81)	(579)	(660)
	<hr/>	<hr/>	<hr/>
At 30 June 2020 and 1 July 2020	9,243	20,629	29,872
Charge for the year (<i>Note 7</i>)	–	5,140	5,140
Eliminated on disposal of subsidiaries	(9,243)	–	(9,243)
Exchange realignment	–	2,139	2,139
	<hr/>	<hr/>	<hr/>
At 30 June 2021	–	27,908	27,908
	<hr/>	<hr/>	<hr/>
Carrying amounts			
At 30 June 2021	–	2,210	2,210
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 June 2020	7,477	6,814	14,291
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

12. GOODWILL

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost		
At the beginning of the year	314,541	314,541
Disposal of subsidiaries	<u>(23,125)</u>	<u>–</u>
At the end of the year	<u>291,416</u>	<u>314,541</u>
Impairment		
At the beginning of the year	38,144	–
Impairment loss recognised in profit or loss (<i>Note 7</i>)	35,947	38,144
Eliminated on disposal of subsidiaries	<u>(23,125)</u>	<u>–</u>
At the end of the year	<u>50,966</u>	<u>38,144</u>
Carrying amounts	<u><u>240,450</u></u>	<u><u>276,397</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Organisation of exhibitions, events planning and related services	–	29,429
Brand management and related services	31,836	38,354
Promotion and consulting services	208,180	208,180
Financing	<u>434</u>	<u>434</u>
	<u><u>240,450</u></u>	<u><u>276,397</u></u>

Organisation of exhibitions, events planning and related services

The recoverable amounts of the (i) Sparkle Mass Group cash-generating unit (“**Sparkle Mass CGU**”) and (ii) Shanghai Mijia cash-generating unit (“**Shanghai Mijia CGU**”) have been determined based on value-in-use calculation by an independent qualified professional valuer, Peak Vision Appraisals Limited (“**Peak Vision**”). The calculation used cash flow projections based on the financial forecasts approved by the Directors covering a three-year period. The discount rate applied to the cash flow projections was 14.83% (2020: 14.90%). The growth rate used to extrapolate the cash flows beyond the three-year period was 3.00% (2020: 3.00%).

During the Reporting Year, the Company disposed of Shanghai Mijia CGU as disclosed in Note 21 to the consolidated financial statements.

Brand management and related services

The recoverable amounts of the Fortune Selection Group cash-generating unit (“**Fortune Selection CGU**”) has been determined based on value-in-use calculation by Peak Vision. The calculation used cash flow projections based on the financial forecasts approved by the Directors covering a three-year period. The discount rate applied to the cash flow projections was 13.33% (2020: 13.54%). The growth rate used to extrapolate the cash flows beyond the three-year period was 3.00% (2020: 3.00%).

Promotion and consulting services

The recoverable amounts of the Cheer Sino Group cash-generating unit (“**Cheer Sino CGU**”) has been determined based on value-in-use calculation by Peak Vision. The calculation used cash flow projections based on the financial forecasts approved by the Directors covering a three-year period. The discount rates applied to the cash flow projections was 13.33% (2020: 13.54%). The growth rate used to extrapolate the cash flows beyond the three-year period was 3.00% (2020: 3.00%).

Financing

The recoverable amounts of the (i) i-Lend cash-generating unit (“**i-Lend CGU**”), (ii) CIS Group cash-generating unit (“**CIS CGU**”) and (iii) Hananhal Group cash-generating unit (“**Hananhal CGU**”) have been determined based on value-in-use calculation by Peak Vision. The calculation used cash flow projections based on the financial forecasts approved by the Directors covering a three-year period. The discount rates applied to the cash flow projections were 14.04%–20.00% (2020: 13.95%–20.00%). The growth rate used to extrapolate the cash flows beyond the three-year period was 3.00% (2020: 3.00%).

The management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The terminal growth rate used is with reference to the long term average growth rates and expected market development.

Other assumptions for the value-in-use calculation related to the estimation of the cash inflows/outflows which included budgeted revenue and profit margin. Such estimation is based on past performance, existing sales contracts and management expectations for the market development.

During the year ended 30 June 2021, impairment loss of approximately HK\$29,429,000, HK\$Nil, HK\$6,518,000 and HK\$Nil (2020: HK\$6,135,000, HK\$23,559,000, HK\$7,650,000 and HK\$800,000) were recognised on goodwill arising from Sparkle Mass CGU, Shanghai Mijia CGU, Fortune Selection CGU and i-Lend CGU, respectively as their recoverable amounts were determined to be lower than their carrying amounts.

While the management has taken a conservative estimate in performing the impairment assessment, the recoverable amounts of the Sparkle Mass CGU, Shanghai Mijia CGU, Fortune Selection CGU and i-Lend CGU equaled to their carrying amounts as at 30 June 2021 and 2020. Therefore, any unfavourable possible change in the key assumptions indicated above on which the management had based its determination of the CGUs’ recoverable amounts may cause further impairment loss for the year ended 30 June 2021.

13. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables from contracts with customers	49,652	216,097
Less: allowance for credit losses	(838)	(37,229)
	<u>48,814</u>	<u>178,868</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 are normally 8 months and 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 based on dates on which services rendered/invoice dates is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	8,638	17,574
31–60 days	7,729	6,744
61–90 days	8,389	6,056
91–180 days	14,370	30,023
181–365 days	9,678	118,471
Over 1 year	10	–
	<u>48,814</u>	<u>178,868</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	6,019	22,158
31–60 days	4,902	10,567
61–90 days	1,878	17,500
91–180 days	3,758	36,287
181–365 days	10	33,212
	<u>16,567</u>	<u>119,724</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At the beginning of the year	37,229	–
Amounts (reversed)/recognised during the year, net	(36,871)	37,621
Eliminated on disposal of subsidiaries	(2,119)	–
Exchange realignment	2,599	(392)
	<u>838</u>	<u>37,229</u>

14. FACTORING RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Factoring receivables	349,328	357,718
Interest receivables from factoring receivables	5,199	912
Less: allowance for credit losses	<u>(468)</u>	<u>(435)</u>
	<u>354,059</u>	<u>358,195</u>
Analysed for reporting purposes as:		
Current assets	320,917	291,568
Non-current assets	<u>33,142</u>	<u>66,627</u>
	<u>354,059</u>	<u>358,195</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	8,852	1,211
31–90 days	42,073	7,960
91–365 days	269,992	282,397
Over 1 year	<u>33,142</u>	<u>66,627</u>
	<u>354,059</u>	<u>358,195</u>

The factoring receivables granted to customers are measured at amortised cost and generally for a period of 7 months to 3 years. The effective interest rates of factoring receivables as at 30 June 2021 ranging from 7.76% to 15.00% (2020: 7.76% to 11.13%) per annum.

The allowance for credit losses was measured at an amount equal to 12-month expected credit loss under general approach for factoring receivables. As at 30 June 2021 and 2020, no factoring receivables were past due.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At the beginning of the year	435	–
Amounts (reversed)/recognised during the year, net	(9)	440
Exchange realignment	<u>42</u>	<u>(5)</u>
At the end of the year	<u>468</u>	<u>435</u>

15. LEASE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Lease receivables from sale-leaseback transactions	79,201	80,484
Less: allowance for credit losses	<u>(57)</u>	<u>(124)</u>
	<u>79,144</u>	<u>80,360</u>
Analysed for reporting purposes as:		
Current assets	48,896	23,386
Non-current assets	<u>30,248</u>	<u>56,974</u>
	<u>79,144</u>	<u>80,360</u>

At 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one year	48,896	23,386
More than one year but not exceeding two years	29,809	35,150
More than two years but not exceeding three years	<u>439</u>	<u>21,824</u>
	<u>79,144</u>	<u>80,360</u>

All leases are denominated in Renminbi (“RMB”). Lease receivables from sale-leaseback transactions are measured at amortised cost and generally for a period of 1.5 to 3 years. The effective interest rate of the lease receivables from sale-leaseback transactions as at 30 June 2021 ranging from 7.97% to 11.96% (2020: 7.98% to 10.02%) per annum.

The allowance for credit losses was measured at an amount equal to 12-month expected credit loss under general approach for lease receivables from sale-leaseback transactions. As at 30 June 2021 and 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At the beginning of the year	124	–
Amounts (reversed)/recognised during the year, net	(76)	125
Exchange realignment	<u>9</u>	<u>(1)</u>
At the end of the year	<u>57</u>	<u>124</u>

16. LOAN RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loan receivables	21,200	–
Interest receivables from loan receivables	359	–
Less: allowance for credit losses	<u>(36)</u>	<u>–</u>
	<u>21,523</u>	<u>–</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 ranging from 10.00% to 20.00% per annum as at 30 June 2021. As at 30 June 2021, no loan receivables were past due.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	183	–
31–90 days	175	–
91–365 days	<u>21,165</u>	<u>–</u>
Total	<u>21,523</u>	<u>–</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At the beginning of the year	–	–
Amounts recognised during the year	<u>36</u>	<u>–</u>
At the end of the year	<u>36</u>	<u>–</u>

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit guarantees	–	24,581
Early redemption right of corporate bonds	1,717	3,280
Equity securities listed in Hong Kong	<u>233</u>	<u>25,727</u>
	<u>1,950</u>	<u>53,588</u>
Analysed for reporting purposes as:		
Current assets	1,950	29,007
Non-current assets	<u>–</u>	<u>24,581</u>
	<u>1,950</u>	<u>53,588</u>

18. TRADE PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	<u>8,611</u>	<u>58,590</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	212	10,987
31–60 days	5,011	3,938
61–90 days	252	2,829
91–180 days	777	3,249
181–365 days	1,029	31,932
Over 1 year	<u>1,330</u>	<u>5,655</u>
	<u>8,611</u>	<u>58,590</u>

The average credit period ranging from 0–180 days.

19. 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 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	<u>(187)</u>	<u>(63)</u>	<u>(125)</u>	<u>(120)</u>	<u>(45,062)</u>	<u>(45,557)</u>
At 30 June 2020 and 1 July 2020	2,785	915	1,866	1,921	304,781	312,268
Redemption	-	-	-	(2,000)	(240,000)	(242,000)
Gain on early redemption (<i>Note 7</i>)	-	-	-	-	(9,040)	(9,040)
Modification (<i>Note 7</i>)	-	-	-	-	12,908	12,908
Effective interest expenses	298	99	225	105	19,467	20,194
Less: interest paid	<u>(188)</u>	<u>(62)</u>	<u>(125)</u>	<u>(26)</u>	<u>(27,164)</u>	<u>(27,565)</u>
At 30 June 2021	<u>2,895</u>	<u>952</u>	<u>1,966</u>	<u>-</u>	<u>60,952</u>	<u>66,765</u>

Analysed for reporting purposes as:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current liabilities	65,813	306,702
Non-current liabilities	<u>952</u>	<u>5,566</u>
	<u>66,765</u>	<u>312,268</u>

20. SHARE CAPITAL

	Par value HK\$	Number of ordinary shares	Nominal value of ordinary shares HK\$'000
Authorised:			
At 1 July 2019, 30 June 2020, 1 July 2020 and 30 June 2021	0.002	5,000,000,000	10,000
Issued and fully paid:			
At 1 July 2019	0.002	1,462,900,000	2,926
Conversion of convertible bond/notes (<i>Note a</i>)	0.002	58,973,223	118
At 30 June 2020 and 1 July 2020	0.002	1,521,873,223	3,044
Placing of shares (<i>Note b</i>)	0.002	292,500,000	585
Conversion of convertible notes (<i>Note c</i>)	0.002	41,530,054	83
At 30 June 2021	0.002	1,855,903,277	3,712

Notes:

- (a) On 1 April 2020, the fourth convertible bond with a principal amount of HK\$8,004,000 was converted into 8,700,000 shares at a conversion price of HK\$0.92 per ordinary share. The fourth convertible bond was issued to the vendor upon the fulfilment of the 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, the first and second convertible notes with principal amounts 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 the profit guarantees for the year ended 31 December 2018 and the two-year period ended 31 December 2019 respectively relating to the acquisition of the entire equity interests of Cheer Sino Group.

- (b) On 24 July 2020, the Company entered into a placing agreement (the “**Placing Agreement**”) with a placing agent pursuant to which the Company had conditionally agreed to place, through the placing agent on a best effort basis, up to 292,500,000 placing shares (the “**Placing Share(s)**”) of the Company at a placing price of HK\$0.13 per Placing Share to not less than six placees who are professional, institutional or other investors that are third parties independent of the Company and its connected persons. The Placing Shares would be allotted and issued pursuant to the general mandate approved by the shareholders of the Company at the annual general meeting of the Company held on 6 December 2019. On 20 August 2020, a total of 292,500,000 ordinary shares were issued pursuant to the terms and conditions of the Placing Agreement.
- (c) On 24 June 2021, the third convertible notes with a principal amount of HK\$76,000,000 were converted into 41,530,054 shares at a conversion price of HK\$1.83 per ordinary share. The convertible notes were issued to the vendor upon the fulfilment of the profit guarantee for the three-year period ended 31 December 2020 relating to the acquisition of the entire equity interests of Cheer Sino Group.

21. DISPOSAL OF SUBSIDIARIES

During the Reporting Year, the Company disposed of its entire 100% equity interest in Mega Exhibition International Limited and its subsidiaries, at a consideration of HK\$29,500,000 to an independent third party. The gain arising from the disposal was calculated as follows:

Analysis of assets and liabilities over which control was lost

	<i>HK\$'000</i>
Assets	
Intangible assets	7,477
Property, plant and equipment	224
Financial assets at FVTPL	24,581
Other receivables	993
Cash and cash equivalents	115
	<u>33,390</u>
Liabilities	
Contingent consideration payable	(3,506)
Other payables	(625)
	<u>(4,131)</u>
Net assets disposed of	<u>29,259</u>
Gain on disposal of subsidiaries (Note 7):	
Consideration received	29,500
Release of non-controlling interest upon disposal of subsidiaries	547
Release of exchange reserve	1,070
Release of statutory reserve	554
Net assets disposed of	(29,259)
	<u>2,412</u>
Net cash inflow arising on disposal:	
Cash consideration received	29,500
Cash and cash equivalents disposed of	(115)
	<u>29,385</u>

For details, please refer to the Company's announcement published on 19 November 2020.

22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation for the Reporting Year.

23. EVENTS AFTER THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

	For the year ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
Revenue		
Exhibitions and events	122	46,297
Cultural and entertainment	175,325	447,010
Financing	52,622	57,805
	<u>228,069</u>	<u>551,112</u>
Segment profit/(loss) from		
Exhibitions and events	(31,237)	(4,613)
Cultural and entertainment	77,595	246,977
Financing	48,954	52,254
	<u>95,312</u>	<u>294,618</u>

Exhibitions and Events Business

Exhibition industry experienced difficulties in operations due to the outbreak of the coronavirus disease 2019 (“COVID-19”) pandemic. The Group has been enduring hardships under stringent quarantine control. Under such prevailing environment, the Group had not launched any large scale exhibitions during the Reporting Year and has been under pressure to give up the exhibitions and events business if the environment remains uncertain. The Group has disposed of subsidiaries which are engaged in unmanned retail exhibitions in the PRC to release the pressure on cash flow and strengthen the Group’s liquidity position.

Revenue from exhibitions and events business has decreased by approximately HK\$46.18 million, or approximately 99.74%, from approximately HK\$46.30 million for the Prior Year to approximately HK\$0.12 million for the Reporting Year. It represented 0.05% (2020: 8.40%) of the total revenue.

Cultural and Entertainment Business

The overall cultural and entertainment business performance was weak after the outbreak of COVID-19 pandemic. The pandemic prevention measures and social distancing policy by the PRC government have had significant impact on the industry. The Group experienced an unprecedented decrement in our business. We believe that more customers might close their businesses, or reduce the spending on updating the software, purchase of new equipment and promotion events, which would continue to affect our income source, if the spread of COVID-19 pandemic continued.

諾笛聯盟平台 (transliterated as “**NOD Union Platform**” or “**NOD Union**”) is a core competitive edge of the Group. We believe that it is important to go through the economic difficulties with our NOD Union members together.

Revenue from cultural and entertainment business has decreased by approximately HK\$271.68 million, or approximately 60.78%, from approximately HK\$447.01 million for the Prior Year to approximately HK\$175.33 million for the Reporting Year. It represented 76.88% (2020: 81.11%) of the total revenue.

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

	<i>Notes</i>	For the year ended	
		30 June	
		2021	2020
		HK\$'000	HK\$'000
Brand management and related services	<i>i</i>	10,389	19,791
Promotion and consulting services	<i>ii</i>	60,373	195,658
Contracting services and entertainment equipment solution	<i>iii</i>	–	95,002
Trading of goods	<i>iv</i>	104,563	136,559
		175,325	447,010

Notes:

i. Brand management and related services:

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

ii. Promotion and consulting services:

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

iii. Contracting services and entertainment equipment solution:

Providing and supplying customised and thematic entertainment equipment and software materials integration services to customers.

iv. Trading of goods:

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

Financing Business

With the influence of COVID-19 pandemic, small and medium-sized companies and individuals have been facing shortage of cashflow. The Group has adjusted the interest rate range to attract more customers. The Group has credit policy and loan approval process to minimise the credit risks.

Revenue from financing business has decreased by approximately HK\$5.19 million, or approximately 8.98%, from approximately HK\$57.81 million for the Prior Year to approximately HK\$52.62 million for the Reporting Year. It represented 23.07% (2020: 10.49%) of the total revenue.

The financing business is currently divided into the following components:

		For the year ended 30 June	
		2021	2020
	Notes	HK\$'000	HK\$'000
Credit factoring	<i>i</i>	41,665	37,082
Finance leasing	<i>ii</i>	9,317	19,323
Money lending	<i>iii</i>	1,640	1,400
		52,622	57,805

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 7 months to 3 years and the finance services allows customers to release up to 80% invoice value.

ii. Finance leasing

The Group focused on expanding its small and medium-sized leasing from sale and leaseback business and centering on the cultural and entertainment customers. The finance period given to customers ranges from 1.5 to 3 years.

iii. Money lending

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

FINANCIAL REVIEW

During the Reporting Year, the Group has recorded approximately HK\$228.07 million in revenue, representing a decrease of approximately 58.62% as compared with that in the Prior Year of approximately HK\$551.11 million. Operating profit for the Reporting Year was approximately HK\$56.75 million, representing a decrease of approximately 77.14% as compared with the operating profit in the Prior Year of approximately HK\$248.21 million. Net loss for the Reporting Year was approximately HK\$5.45 million, representing an increase of approximately 103.83% as compared with the net profit in the Prior Year of approximately HK\$142.17 million. The decrease in net profit was mainly attributable to the decrease in revenue due to the adverse impact from the outbreak of COVID-19 pandemic.

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

	For the year ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
Revenue	228,069	551,112
Operating profit	56,745	248,208
Operating profit margin (%)	24.88%	45.04%
Net gain on change in fair value of contingent consideration payables	914	97,465
Equity-settled share-based payment expenses	–	14,864
Net (loss)/gain on financial assets at FVTPL	(17,976)	8,679
(Loss)/profit for the year	<u>(5,447)</u>	<u>142,170</u>

Revenue

The revenue has decreased by approximately HK\$323.04 million, or approximately 58.62%, from approximately HK\$551.11 million for the Prior Year to approximately HK\$228.07 million for the Reporting Year. The reduction was mainly attributable to the decrease in the revenue of cultural and entertainment segment of approximately HK\$271.68 million and revenue of exhibitions and events segment of approximately HK\$46.18 million due to the outbreak of COVID-19 pandemic.

Other Gains and Losses

The other gains and losses has decreased by approximately HK\$19.60 million, or approximately 42.66%, from losses of approximately HK\$45.95 million for the Prior Year to losses of approximately HK\$26.35 million for the Reporting Year.

During the Reporting Year, the Group recognised impairment losses on goodwill of approximately HK\$35.95 million, of which approximately HK\$29.43 million was for Sparkle Mass CGU and approximately HK\$6.52 million was for Fortune Selection CGU, due to the risk of uncertain developments in the economic condition.

Many of our customers experienced significant reductions in revenue due to the economic devastation brought by the outbreak of COVID-19 pandemic. Most of the restaurants and entertainment stores were temporarily closed for a longer period than expected. The prospect of income is uncertain in the following few years.

Selling and Administrative Expenses

The Group's selling expenses has decreased by approximately HK\$11.27 million, or approximately 43.63%, from approximately HK\$25.83 million for the Prior Year to approximately HK\$14.56 million for the Reporting Year. The Group's administrative expenses has decreased by approximately HK\$17.12 million, or approximately 28.15%, from approximately HK\$60.82 million for the Prior Year to approximately HK\$43.70 million for the Reporting Year. Such decrease was primarily due to the cost control measures taken by the Group.

Loss on Financial Assets at Fair Value through Profit or Loss

The Group's loss on financial assets at FVTPL has increased significantly to approximately HK\$17.98 million, or approximately 306.67% for the Reporting Year (2020: gain of approximately HK\$8.70 million), primarily due to an unrealised loss from an investment in a Hong Kong listed equity security of approximately HK\$13.00 million, as it has been suspended trading by the Stock Exchange since 5 May 2021. The fair value was assessed by the Directors with reference to the professional valuation carried out by Peak Vision Appraisals Limited ("**Peak Vision**"), an independent qualified professional valuer.

Gain on Change in Fair Value of Contingent Consideration Payables

The Group's gain on change in fair value of contingent consideration payables has decreased by approximately HK\$96.56 million, or approximately 99.07%, from approximately HK\$97.47 million for the Prior Year to approximately HK\$0.91 million for the Reporting Year. The fair value is measured before the conversion into convertible notes, it was unrealised gain and has no impact on the cash flow of the Group.

Operating Profit and Operating Profit Margin

As a result of the foregoings, the Group's operating profit has decreased by approximately HK\$191.46 million, or approximately 77.14%, from an operating profit of approximately HK\$248.21 million for the Prior Year to approximately HK\$56.75 million for the Reporting Year. The Group's operating profit margin has decreased from approximately 45.04% for the Prior Year to approximately 24.88% for the Reporting Year. The decrease was mainly due to the downturn in revenue led by the outbreak of COVID-19 pandemic.

Finance Costs

The Group's finance costs has decreased by approximately HK\$16.93 million, or approximately 44.56%, from approximately HK\$37.99 million for the Prior Year to approximately HK\$21.06 million for the Reporting Year. Such decrease was mainly due to the early redemption of corporate bonds during the Reporting Year and less interest was needed.

Loss for the Year Attributable to the Owners of the Company

The Group's loss for the year attributable to the owners of the Company has increased by approximately HK\$137.92 million, or approximately 100.60%, from profit of approximately HK\$137.10 million for the Prior Year to loss of approximately HK\$0.82 million for the Reporting Year.

SIGNIFICANT INVESTMENTS

Significant investments in terms of market value as at 30 June 2021 and 2020

Name of stock listed on the Stock Exchange	Brief description of the business	Number of units held as at 30 June 2021	Carrying amount as at 30 June 2021 HK\$'000	Fair value as at 30 June 2021 HK\$'000	Percentage to total assets value of the Group as at 30 June 2021	Realised	Unrealised	Dividend
						loss for the year ended 30 June 2021 HK\$'000	gain/(loss) for the year ended 30 June 2021 HK\$'000	received for the year ended 30 June 2021 HK\$'000
HSBC Holdings plc (stock code: 0005)	Banking services	5,200	188	233	0.03%	-	45	6
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	43,315,000	17,003	-*	-	(3,463)	(12,995)	-

* The Stock Exchange has suspended the trading of China U-Ton Future Space Industrial Group Holdings Limited's shares since 5 May 2021. The fair value as at 30 June 2021 was assessed by the Directors with reference to the professional valuation carried out by Peak Vision.

Name of stock listed on the Stock Exchange	Brief description of the business	Number of units held as at 30 June 2020	Carrying amount as at 30 June 2020	Fair value as at 30 June 2020	Percentage to total assets value of the Group as at 30 June 2020	Realised gain/(loss) for the year ended 30 June 2020	Unrealised gain/(loss) for the year ended 30 June 2020	Dividend received for the year ended 30 June 2020
			HK\$'000	HK\$'000		HK\$'000	HK\$'000	HK\$'000
HSBC Holdings plc (stock code: 0005)	Banking services	5,200	312	188	0.02%	(0.4)	124	–
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%	287	(7,785)	–

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL RESOURCES

As at 30 June 2021, the Group's total current assets and current liabilities were approximately HK\$569.59 million (2020: approximately HK\$692.42 million) and approximately HK\$95.78 million (2020: approximately HK\$447.97 million), respectively, while the current ratio was about 5.95 times (2020: about 1.55 times).

As at 30 June 2021, the Group maintained cash and cash equivalents of approximately HK\$69.06 million (2020: approximately HK\$137.43 million). The cash and cash equivalents of the Group as at 30 June 2021 was mainly denominated in HK\$ and RMB.

Equity securities listed in Hong Kong classified as financial assets at FVTPL with carrying amount of approximately HK\$233,000 are placed in margin accounts of a regulated securities broker. No margin facility was utilised as at 30 June 2021.

Contingent Liabilities

As at 30 June 2021 and 2020, the Group did not have any material contingent liabilities.

Capital Commitments

The Group had no material capital commitments contracted but not provided as at 30 June 2021 (2020: approximately HK\$20.40 million).

Capital Structure

As at 30 June 2021, the Company's issued share capital was approximately HK\$3.71 million (2020: approximately HK\$3.04 million) with 1,855,903,277 (2020: 1,521,873,223) ordinary shares of HK\$0.002 each in issue. The increase in the number of issued shares was primarily due to (i) the issuance of 292,500,000 ordinary shares under general mandate through a placing agent to not less than six independent placees at HK\$0.13 per placing share pursuant to the terms and conditions of the placing agreement dated 24 July 2020; and (ii) the issuance of 41,530,054 ordinary shares for the exercise of the conversion rights attached to the third convertible notes with principal amount of HK\$76.00 million 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 2021, the Group's borrowings was approximately HK\$66.77 million (2020: approximately HK\$312.27 million).

	As at 30 June	
	2021	2020
	HK\$'000	HK\$'000
Borrowings		
Within 1 year	65,813	306,702
Over 1 year and within 5 years	952	5,566
	<u>66,765</u>	<u>312,268</u>
Total	<u>66,765</u>	<u>312,268</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 2021, the borrowings of approximately HK\$66.77 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 2021, the gearing ratio was 7.57% (2020: 26.98%).

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in Note 21, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures during the Reporting Year.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the Reporting Year (2020: Nil).

EVENT AFTER THE REPORTING PERIOD

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

FUTURE PLANS AND PROSPECTS

The outbreak of COVID-19 pandemic has forced the Group to review and recalibrate our development strategies and planning based on the assessments on the actual and potential impacts of the pandemic.

As COVID-19 pandemic is still an ongoing issue, the Company believes that the Group's business environment will continue to be challenging under the stress of the pandemic prevention and control measures in the short to medium term, especially in the exhibitions and events industry. However, as more people joined COVID-19 vaccination programme, the Company expects the revenue will be improved after COVID-19 is under control in the long term.

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

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 and 20 August 2020	Placing of ordinary shares	HK\$37.16 million	(i) Approximately 75% towards the repayment of certain debts; and (ii) Remaining amount towards general working capital of the Group	Fully used as intended

During the Reporting Year, a total of 292,500,000 ordinary shares have been issued under general mandate through a placing agent to not less than six independent placees at HK\$0.13 per placing share pursuant to the terms and conditions of the placing agreement dated 24 July 2020.

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 (“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 2021, the Group had a total of 97 full-time employees in Hong Kong and the PRC (2020: 154 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.

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 Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as its own code of corporate governance.

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

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

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

- 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. Ms. Huang Chian Sandy, being a non-executive Director, could not attend the annual general meeting of the Company held on 4 December 2020 because of her 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 deviations from the CG Code, the Board is of the view that the Company has complied with the CG Code for the Reporting Year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CLOSURE OF REGISTER OF MEMBERS

In order to determine the eligibility of shareholders to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 3 December 2021 (or any adjournment thereof), the register of members of the Company will be closed from Tuesday, 30 November 2021 to Friday, 3 December 2021, both days inclusive, during which no share transfer will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 29 November 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

SCOPE OF WORK OF HLM CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Reporting Year as set out in this preliminary announcement have been agreed by the Group's auditor, HLM CPA Limited. The work performed by HLM CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLM CPA Limited on the preliminary result announcement.

AUDIT COMMITTEE

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

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

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

Hong Kong, 28 September 2021

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, Dr. Wong Kong Tin, JP and Mr. Qiu Peiyuan as independent non-executive Directors.