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NOVA Group Holdings Limited

諾發集團控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 1360)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

The board (the “**Board**”) of directors (the “**Directors**”) of NOVA Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 31 December 2021 (the “**Reporting Period**”) together with comparative figures for the corresponding period in 2020 (the “**Prior Period**” or “**2020**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2021

	<i>Notes</i>	For the six months ended 31 December	
		2021	2020
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	5	66,897	137,288
Cost of sales		(23,175)	(83,970)
Gross profit		43,722	53,318
Other income	6	2,395	3,867
Other gains and losses	7	(584)	5,114
Net (loss)/gain on financial assets at fair value through profit or loss (“ FVTPL ”)		(708)	1,082
Net gain on change in fair value of contingent consideration payables		–	1,952
Impairment loss on goodwill	13	(34,117)	–
Impairment loss on intangible asset	12	(374)	–
Impairment losses under expected credit loss model, net of reversal	8	(3,632)	10,909
Selling expenses		(5,499)	(12,909)
Administrative expenses		(14,567)	(25,289)

	Notes	For the six months ended 31 December	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Operating (loss)/profit		(13,364)	38,044
Finance costs		(2,778)	(13,669)
(Loss)/profit before tax	7	(16,142)	24,375
Taxation	9	(5,455)	(11,211)
(Loss)/profit for the period		(21,597)	13,164
Other comprehensive income/(expenses) <i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		9,912	50,400
Release of exchange reserve upon disposal of subsidiaries		–	(843)
Release of exchange reserve upon deregistration of subsidiaries and branch		173	(1,670)
Other comprehensive income for the period		10,085	47,887
Total comprehensive (expenses)/income for the period		(11,512)	61,051
(Loss)/profit for the period attributable to:			
Owners of the Company		(21,597)	17,789
Non-controlling interests		–	(4,625)
		(21,597)	13,164
Total comprehensive (expenses)/income for the period attributable to:			
Owners of the Company		(11,512)	65,449
Non-controlling interests		–	(4,398)
		(11,512)	61,051
(Loss)/earnings per share attributable to owners of the Company:			
Basic (<i>HK cents</i>)	11	(1.16)	1.02
Diluted (<i>HK cents</i>)		(1.16)	1.02

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

		At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
Non-current assets			
		1,064	1,767
Property, plant and equipment			
		2,715	3,463
Right-of-use assets			
	<i>12</i>	848	2,210
Intangible assets			
	<i>13</i>	206,333	240,450
Goodwill			
	<i>16</i>	40,221	33,142
Factoring receivables			
	<i>17</i>	15,664	30,248
Lease receivables			
		442	442
Prepayments, deposits and other receivables			
		824	809
Deferred tax assets		268,111	312,531
		268,111	312,531
Current assets			
		7,812	3,991
Inventories			
	<i>15</i>	44,566	48,814
Trade receivables			
	<i>16</i>	352,680	320,917
Factoring receivables			
	<i>17</i>	44,843	48,896
Lease receivables			
	<i>18</i>	16,184	21,523
Loan receivables			
		9,633	53,306
Prepayments, deposits and other receivables			
	<i>14</i>	1,242	1,950
Financial assets at FVTPL			
		1,003	1,135
Tax recoverable			
		90,332	69,059
Cash and cash equivalents		568,295	569,591
		568,295	569,591
Current liabilities			
		2,102	8,611
Trade payables	<i>19</i>		
		4,460	4,252
Receipts in advance			
		1,026	4,360
Contract liabilities			
		7,707	8,578
Accruals, deposits received and other payables			
		1,197	1,311
Lease liabilities			
	<i>20</i>	40,483	65,813
Corporate bonds			
		4,216	2,852
Tax payables		61,191	95,777
		61,191	95,777
Net current assets		507,104	473,814
		775,215	786,345
Total assets less current liabilities		775,215	786,345

		At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Contract liabilities		2,009	61
Lease liabilities		1,801	2,415
Corporate bonds	20	—	952
		<u>3,810</u>	<u>3,428</u>
NET ASSETS		<u>771,405</u>	<u>782,917</u>
Capital and reserves			
Share capital	21	3,712	3,712
Reserves		<u>767,693</u>	<u>779,205</u>
TOTAL EQUITY		<u>771,405</u>	<u>782,917</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2021

1. ORGANISATION AND PRINCIPAL ACTIVITIES

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of Cayman Islands and is listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The principal place of business of the Company in Hong Kong is located at Room 2102, 21/F., Tower One, Lippo Centre, 89 Queensway, Hong Kong.

The principal activity of the Company is investment holding. The 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.

The unaudited condensed consolidated financial statements have not been audited by the Company’s auditor, but have been reviewed by the audit committee of the Board (the “**Audit Committee**”).

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the Reporting Period have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and with applicable disclosure requirements as set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). It was authorised for issue on 25 February 2022.

The unaudited condensed consolidated financial statements do not include all the information and disclosures required for annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2021 as contained in the Company’s annual report 2020/21 (the “**Annual Report**”).

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The application of the amendments to HKFRSs in the current period had no material impact on the Group’s result and financial positions for the Reporting Period and Prior Period and/or on the disclosures set out in the condensed consolidated financial statements.

4. SEGMENT INFORMATION

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

The operating and reportable segments are as follows:

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, such as brand management, solution and consulting services, trading of goods and products promotion services
Financing	Provision of money lending, finance leasing and credit factoring services

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

For the six months ended 31 December

	Exhibitions and events		Cultural and entertainment		Financing		Total	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue								
Segment revenue	-	54	37,902	129,672	28,995	25,911	66,897	155,637
Inter-segment revenue	-	(54)	-	(18,295)	-	-	-	(18,349)
Revenue from external customers	-	-	37,902	111,377	28,995	25,911	66,897	137,288
Results								
Segment results	(658)	(3,353)	(29,946)	29,701	26,759	24,130	(3,845)	50,478
Unallocated net (loss)/gain on financial assets at FVTPL							(708)	1,082
Net gain on change in fair value of contingent consideration payables							-	1,952
Unallocated other income and other gains and losses							103	(5,449)
Unallocated corporate expenses							(8,336)	(10,019)
Unallocated impairment losses under expected credit loss model, net of reversal							(580)	-
Finance costs							(2,776)	(13,669)
(Loss)/profit before tax							(16,142)	24,375
Taxation							(5,455)	(11,211)
(Loss)/profit for the period							(21,597)	13,164

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

	Exhibitions and events		Cultural and entertainment		Financing		Total	
	At	At	At	At	At	At	At	At
	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June
	2021	2021	2021	2021	2021	2021	2021	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Assets								
Segment assets	3,409	1,741	290,263	388,727	523,822	470,975	817,494	861,443
Unallocated corporate assets							18,912	20,679
							<u>836,406</u>	<u>882,122</u>
Liabilities								
Segment liabilities	195	152	8,750	19,420	9,198	7,476	18,143	27,048
Unallocated corporate liabilities							46,858	72,157
							<u>65,001</u>	<u>99,205</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.

5. REVENUE

	For the six months ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Brand management	3,147	5,035
Promotion and consulting services	10,221	49,070
Trading of goods	24,534	57,272
Financing income		
– Credit factoring services	24,775	20,917
– Finance leasing services	3,246	4,597
– Money lending services	974	397
Total	66,897	137,288
Timing of revenue recognition		
At a point in time	26,555	89,706
Over time	11,347	21,671
Revenue from contracts with customers	37,902	111,377
Revenue from other sources	28,995	25,911
Total	66,897	137,288

6. OTHER INCOME

	For the six months ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Government grants	1,902	2,793
Interest income	48	104
Sundry income	445	970
	2,395	3,867

7. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended	
	31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Staff costs:		
Employee benefit expenses (including Directors' emoluments):		
– Salaries, allowance and other benefits	8,175	17,462
– Retirement benefit schemes contributions	1,238	512
	9,413	17,974
Other items:		
Depreciation of property, plant and equipment	767	967
Depreciation of right-of-use assets	749	3,319
Amortisation of intangible assets	1,012	2,889
Cost of inventories recognised in cost of sales	21,681	61,277
Lease expenses on short-term leases	284	581
Other gains and losses:		
Exchange losses/(gains), net	82	(4,158)
Write-off of property, plant and equipment	15	103
Gain on disposal of subsidiaries	–	(2,412)
Loss/(gain) on deregistration of subsidiaries and branch	173	(4,571)
Gain on early redemption of corporate bonds	(369)	(5,598)
Loss on non-substantial modification of corporate bonds (<i>Note 20</i>)	683	11,695
Others	–	(173)
	584	(5,114)

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	For the six months ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Impairment losses/(reversal of impairment losses), net recognised on:		
– Trade receivables	2,964	(10,785)
– Factoring receivables	113	(111)
– Lease receivables	(15)	(53)
– Loans and interest receivables	(10)	40
– Other receivables	580	–
	<u>3,632</u>	<u>(10,909)</u>

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

9. TAXATION

	For the six months ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
– Hong Kong Profits Tax	–	70
– PRC Enterprise Income Tax	6,687	11,215
– Withholding tax on remitted earnings	1,205	–
	<u>7,892</u>	<u>11,285</u>
Over-provision in prior periods:		
– Hong Kong Profits Tax	(2)	–
– PRC Enterprise Income Tax	(2,435)	–
Deferred tax:		
– Current period	–	(74)
Total	<u>5,455</u>	<u>11,211</u>

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

Under the Law of the People’s Republic of China (the “**PRC**”) on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of certain subsidiaries of the Group in the PRC is 25% for the Reporting Period and Prior Period.

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

10. DIVIDEND

The Directors do not recommend payment of any dividend for the Reporting Period (2020: HK\$Nil).

11. (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:

	For the six months ended	
	31 December	
	2021	2020
	<i>HK\$’000</i>	<i>HK\$’000</i>
	(Unaudited)	(Unaudited)
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company	<u>(21,597)</u>	<u>17,789</u>
	For the six months ended	
	31 December	
	2021	2020
	(Unaudited)	(Unaudited)
Number of shares		
Number/weighted average number of ordinary shares	<u>1,855,903,277</u>	<u>1,736,053,551</u>

For the Reporting Period and Prior Period, 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 shares. The basic and diluted (loss)/earnings per share were the same for the Reporting Period and Prior Period.

12. INTANGIBLE ASSETS

During the Reporting Period, no disposal of intangible assets occurred (2020: approximately HK\$7,477,000 upon disposal of subsidiaries). The management performed an impairment assessment and an impairment loss of approximately HK\$374,000 was recognised for the Reporting Period (2020: HK\$Nil).

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

13. GOODWILL

	At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
At the beginning of the period/year	240,450	276,397
Impairment loss recognised	<u>(34,117)</u>	<u>(35,947)</u>
At the end of the period/year	<u><u>206,333</u></u>	<u><u>240,450</u></u>

Goodwill acquired in business combinations is allocated to relevant cash-generating units that is expected to benefit from the business combinations.

As a result of the changes in the current economic environment related to the COVID-19 pandemic, the Group is experiencing negative conditions indicating that goodwill may be impaired. During the Reporting Period, the Group performed an impairment testing and recognised an impairment loss of approximately HK\$34,117,000 related to goodwill.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
Early redemption right from corporate bonds	998	1,717
Equity securities listed in Hong Kong	<u>244</u>	<u>233</u>
	<u><u>1,242</u></u>	<u><u>1,950</u></u>

The fair value of early redemption right from corporate bonds were determined by the Directors with reference to the valuations at the period and year ended date carried out by Peak Vision. The market value of listed securities at the period and year ended were determined by the Directors with reference to quoted prices in active market.

15. TRADE RECEIVABLES

	At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
Trade receivables	48,417	49,652
Less: allowance for credit losses	<u>(3,851)</u>	<u>(838)</u>
	<u>44,566</u>	<u>48,814</u>

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

	At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
0–30 days	5,011	8,638
31–60 days	5,059	7,729
61–90 days	4,622	8,389
91–180 days	15,180	14,370
181–365 days	14,694	9,678
Over 365 days	<u>–</u>	<u>10</u>
Total	<u>44,566</u>	<u>48,814</u>

The Group sought to maintain control over its outstanding receivables and overdue balances were regularly reviewed by management.

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

	At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
At the beginning of the period/year	838	37,229
Amounts recognised/(reversed) during the period/year	2,964	(36,871)
Eliminated on disposal of subsidiaries	–	(2,119)
Exchange realignment	<u>49</u>	<u>2,599</u>
At the end of the period/year	<u>3,851</u>	<u>838</u>

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

	At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
0–30 days	6,354	6,019
31–60 days	3,749	4,902
61–90 days	3,848	1,878
91–180 days	5,532	3,758
181–365 days	1,980	10
Total	<u>21,463</u>	<u>16,567</u>

16. FACTORING RECEIVABLES

	At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
Factoring receivables	388,804	349,328
Interest receivables from factoring receivables	4,688	5,199
Less: allowance for credit losses	(591)	(468)
	<u>392,901</u>	<u>354,059</u>
Analysed for reporting purposes as:		
Current assets	352,680	320,917
Non-current assets	40,221	33,142
	<u>392,901</u>	<u>354,059</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:

	At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
0–30 days	4,688	8,852
31–90 days	82,517	42,073
91–365 days	265,475	269,992
Over 365 days	40,221	33,142
	<u>392,901</u>	<u>354,059</u>

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 31 December 2021 ranged from 7.76% to 15.00% (30 June 2021: from 7.76% to 15.00%) per annum. As at 31 December 2021 and 30 June 2021, no factoring receivables were past due.

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

	At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
At the beginning of the period/year	468	435
Amounts recognised/(reversed) during the period/year	113	(9)
Exchange realignment	10	42
	<u>591</u>	<u>468</u>

17. LEASE RECEIVABLES

	At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
Lease receivables from sale-leaseback transactions	60,551	79,201
Less: allowance for credit losses	(44)	(57)
	<u>60,507</u>	<u>79,144</u>
Analysed for reporting purposes as:		
Current assets	44,843	48,896
Non-current assets	15,664	30,248
	<u>60,507</u>	<u>79,144</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:

	At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
Within one year	44,843	48,896
More than one year but not exceeding two years	15,664	29,809
More than two years but not exceeding three years	–	439
	<u>60,507</u>	<u>79,144</u>

All leases are denominated in Renminbi (“RMB”). Lease receivables from sale-leaseback transactions are measured at amortised cost and generally for a period of 1.25 to 3 years. The effective interest rate of the lease receivables from sale-leaseback transactions as at 31 December 2021 ranged from 7.97% to 11.96% (30 June 2021: 7.97% to 11.96%) per annum. As at 31 December 2021 and 30 June 2021, 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:

	At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
At the beginning of the period/year	57	124
Amounts reversed during the period/year	(15)	(76)
Exchange realignment	2	9
	<u>44</u>	<u>57</u>

Leasing arrangements

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

18. LOAN RECEIVABLES

	At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
Loan receivables	16,000	21,200
Interest receivables from loan receivables	210	359
Less: allowance for credit losses	(26)	(36)
	<u>16,184</u>	<u>21,523</u>

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

	At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
0–30 days	210	183
31–90 days	–	175
91–365 days	15,974	21,165
	<u>16,184</u>	<u>21,523</u>
Total	<u>16,184</u>	<u>21,523</u>

Loan receivables granted to customers are measured at amortised cost and generally for period of 6 months to 12 months. The effective interest rate of loan receivables as at 31 December 2021 was 8% (30 June 2021: from 10.00% to 20.00%) per annum. As at 31 December 2021 and 30 June 2021, no loan receivables were past due.

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

	At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
At the beginning of the period/year	36	–
Amounts (reversed)/recognised during the period/year	<u>(10)</u>	<u>36</u>
At the end of the period/year	<u><u>26</u></u>	<u><u>36</u></u>

19. TRADE PAYABLES

	At 31 December 2021 <i>HK\$'000</i> (Unaudited)	At 30 June 2021 <i>HK\$'000</i> (Audited)
0–30 days	–	212
31–60 days	–	5,011
61–90 days	–	252
91–180 days	161	777
181–365 days	1,362	1,029
Over 1 year	<u>579</u>	<u>1,330</u>
At the end of the period/year	<u><u>2,102</u></u>	<u><u>8,611</u></u>

The average credit period ranging from 0–180 days.

20. CORPORATE BONDS

The carrying amounts of corporate bonds recognised at the end of the Reporting Period are calculated as follows:

	<i>HK\$'000</i>
At 1 July 2020	312,268
Less: redemption (with principal amount of HK\$242,000,000)	(251,040)
Add: adjusting to carrying amounts upon non-substantial modification (<i>Note a</i>)	12,908
Effective interest expenses	20,194
Less: interest paid	(27,565)
	<hr/>
At 30 June 2021 and 1 July 2021 (Audited)	66,765
Less: redemption (with principal amount of HK\$26,000,000)	(26,369)
Add: adjusting to carrying amounts upon non-substantial modification (<i>Note b</i>)	683
Effective interest expenses	2,609
Less: interest paid	(3,205)
	<hr/>
At 31 December 2021 (Unaudited)	40,483
	<hr/> <hr/>

The effective interest rates are in a range of 8.19% to 10.46% per annum.

Notes:

- (a) 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 modify the maturity date from 7 November 2020 into two maturity dates, 7 November 2020 and 7 November 2021. Based on the assessment performed by the Group, the modification is regarded as non-substantial modification. The loss on modification of corporate bond of approximately HK\$12,908,000 is recognised in profit or loss at the date of modification.
- (b) On 5 November 2021, the Company executed a supplemental deed poll for the unsecured corporate bonds with principal amount of HK\$36,000,000 to modify the maturity date from 7 November 2021 to 5 May 2022. Based on the assessment performed by the Group, the modification is regarded as non-substantial modification. The loss on modification of corporate bond of approximately HK\$683,000 is recognised in profit or loss at the date of modification.

21. SHARE CAPITAL

	Par value HK\$	Number of ordinary shares	Nominal value of ordinary shares HK\$'000
Authorised:			
At 1 July 2020, 30 June 2021, 1 July 2021 and 31 December 2021	0.002	5,000,000,000	<u>10,000</u>
Issued and fully paid:			
At 1 July 2020	0.002	1,521,873,223	3,044
Placing of new shares (<i>Note a</i>)	0.002	292,500,000	585
Conversion of convertible notes (<i>Note b</i>)	0.002	<u>41,530,054</u>	<u>83</u>
At 30 June 2021 (Audited) and 31 December 2021 (Unaudited)	0.002	<u>1,855,903,277</u>	<u>3,712</u>

Notes:

- (a) On 20 August 2020, a total of 292,500,000 ordinary shares were issued at HK\$0.13 per placing share pursuant to the terms and conditions of the placing agreement under general mandate. Net proceeds of approximately HK\$37,164,000 have been raised through the placing.
- (b) On 24 June 2021, 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 Investment Holding Limited and its subsidiaries.

22. MATERIAL RELATED PARTY TRANSACTIONS

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

Remuneration for key personnel management, including emoluments paid to the Directors are as follows:

	For the six months ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries, allowances and other benefits	1,176	1,484
Retirement benefit scheme contributions	<u>23</u>	<u>30</u>
Total compensation paid to key management personnel	<u>1,199</u>	<u>1,514</u>

23. CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 31 December 2021 and 30 June 2021.

24. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2021 and 30 June 2021.

25. EVENT AFTER THE REPORTING PERIOD

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

26. COMPARATIVE FIGURES

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

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 Period and the Prior Period are set out as follows:

	For the six months ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
Revenue		
Exhibitions and events	–	–
Cultural and entertainment	37,902	111,377
Financing	28,995	25,911
	<u>66,897</u>	<u>137,288</u>
Segment (loss)/profit from		
Exhibitions and events	(658)	(3,353)
Cultural and entertainment	(29,946)	29,701
Financing	26,759	24,130
	<u>(3,845)</u>	<u>50,478</u>

Exhibitions and Events Business

The exhibition industry continued to suffer from the coronavirus disease 2019 (“COVID-19”) pandemic during the Reporting Period. The stringent quarantine control measures imposed by the PRC government gave us the hardest hit. The Group had not generated any revenue from the exhibitions and events business for both the Reporting Period and the Prior Period and intends to shift the resources to other two segments until the pandemic preventive measures are relaxed.

No revenue from the exhibitions and events business was recorded for the Reporting Period and the Prior Period. It represented 0% (2020: 0%) of the total revenue.

Cultural and Entertainment Business

The overall cultural and entertainment business performance was weak since the outbreak of COVID-19 pandemic. The pandemic preventive measures and social distancing policy imposed by the PRC government have had significant impacts on the cultural and entertainment industry. The Group continued to experience decrement in our cultural and entertainment business as customer spending remained volatile.

The temporary store closure and lower customer traffic due to the abruptness and variability of COVID-19 pandemic had caused a profound impact on the performance of our cultural and entertainment business. Lots of our customers and members from 諾笛聯盟平台 (transliterated as “**NOD Union Platform**” or “**NOD Union**”) could not overcome the operating losses and chose to close their stores to stop loss. Impairment loss of approximately HK\$34.12 million was resulted under the Cheer Sino Group cash – generating unit (the “**Cheer Sino CGU**”).

Revenue from the cultural and entertainment business has decreased by approximately HK\$73.48 million, or approximately 65.97%, from approximately HK\$111.38 million for the Prior Period to approximately HK\$37.90 million for the Reporting Period. It represented 56.65% (2020: 81.13%) of the total revenue.

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

		For the six months ended	
		31 December	
		2021	2020
	Notes	HK\$'000	HK\$'000
Brand management	<i>i</i>	3,147	5,035
Promotion and consulting services	<i>ii</i>	10,221	49,070
Trading of goods	<i>iii</i>	24,534	57,272
		<u>37,902</u>	<u>111,377</u>

Notes:

i. Brand management:

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

ii. Promotion and consulting services:

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

iii. Trading of goods:

Trading of wine and liquor, e-cigarettes and daily supplies.

Financing Business

The Group has credit policy and loan approval process to minimise credit risks. The Group always insists on meeting customer needs and maximising customer value as a starting point. After adjusting the interest rate range and with a good reputation among customers, the revenue from our financing business remained constant. Comparing with the other two segments, the results from our financing business is encouraging, the Group will continue to explore new customers bases.

Revenue from our financing business has increased by approximately HK\$3.09 million, or approximately 11.93%, from approximately HK\$25.91 million for the Prior Period to approximately HK\$29.00 million for the Reporting Period. It represented 43.35% (2020: 18.87%) of the total revenue.

The financing business is currently divided into the following components:

		For the six months ended	
		31 December	
		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Credit factoring	<i>i</i>	24,775	20,917
Finance leasing	<i>ii</i>	3,246	4,597
Money lending	<i>iii</i>	974	397
		28,995	25,911

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 in sale and leaseback business centered on cultural and entertainment customers. The financing period given to customers ranges from 1.25 to 3 years.

iii. Money lending:

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

FINANCIAL REVIEW

During the Reporting Period, the Group has recorded approximately HK\$66.90 million in revenue, representing a decrease of approximately 51.27% as compared with that in the Prior Period of approximately HK\$137.29 million. Operating loss for the Reporting Period was approximately HK\$13.36 million, representing an increase of approximately 135.12% as compared with the operating profit in the Prior Period of approximately HK\$38.04 million. Net loss for the Reporting Period was approximately HK\$21.60 million, representing an increase of approximately 264.13% as compared with the net profit in the Prior Period of approximately HK\$13.16 million. The increase in net loss was mainly attributable to the decrease in revenue and the impairment loss on goodwill for Cheer Sino CGU arising from 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 Period with comparative figures for the Prior Period as follows:

	For the six months ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
Revenue	66,897	137,288
Operating (loss)/profit	(13,364)	38,044
Operating (loss)/profit margin (%)	(20%)	28%
Impairment loss on goodwill	(34,117)	–
Impairment loss on intangible asset	(374)	–
Net gain on change in fair value of contingent consideration payables	–	1,952
Net (loss)/gain on financial assets at FVTPL	(708)	1,082
(Loss)/profit for the period	(21,597)	13,164

Revenue

The revenue has decreased by approximately HK\$70.39 million, or approximately 51.27%, from approximately HK\$137.29 million for the Prior Period to approximately HK\$66.90 million for the Reporting Period. The reduction was mainly attributable to the decrease in the revenue of the cultural and entertainment segment of approximately HK\$73.48 million and the fact that there was no revenue from the exhibitions and events segment due to the outbreak of COVID-19 pandemic.

Other Gains and Losses

The other gains and losses has decreased by approximately HK\$5.69 million, or approximately 111.35%, from a gain of approximately HK\$5.11 million for the Prior Period to a loss of approximately HK\$0.58 million for the Reporting Period. Such decrement was primarily due to the loss on non-substantial modification of corporate bonds of approximately HK\$0.68 million.

Impairment Loss on Goodwill and Intangible Assets

During the Reporting Period, the Group recognised impairment loss on goodwill for Cheer Sino CGU of approximately HK\$34.12 million and impairment loss on intangible assets of approximately HK\$0.37 million due to the risk of uncertain developments in the economic condition.

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

Selling and Administrative Expenses

The selling expenses has decreased by approximately HK\$7.41 million, or approximately 57.40%, from approximately HK\$12.91 million for the Prior Period to approximately HK\$5.50 million for the Reporting Period. The administrative expenses has decreased by approximately HK\$10.72 million, or approximately 42.39%, from approximately HK\$25.29 million for the Prior Period to approximately HK\$14.57 million for the Reporting Period. The decrease was primarily due to the cost control measures taken by the Group.

Operating Loss and Operating Loss Margin

As a result of the foregoing, the Group's operating loss has increased by approximately HK\$51.40 million, or approximately 135.12%, from an operating profit of approximately HK\$38.04 million for the Prior Period to an operating loss of approximately HK\$13.36 million for the Reporting Period. The Group's operating loss margin has increased from a profit margin of approximately 27.71% for the Prior Period to a loss margin of approximately 19.98% for the Reporting Period. The increase was mainly due to the increase in impairment losses under expected credit loss model and increase in impairment loss on goodwill for Cheer Sino CGU.

Finance Costs

The finance costs has decreased by approximately HK\$10.89 million, or approximately 79.66%, from approximately HK\$13.67 million for the Prior Period to approximately HK\$2.78 million for the Reporting Period. The decrease in finance costs was mainly due to the redemption of corporate bonds and less interest was needed.

Taxation

The taxation has decreased by approximately HK\$5.75 million, or approximately 51.29%, from approximately HK\$11.21 million for the Prior Period to approximately HK\$5.46 million for the Reporting Period. The decrease in taxation was in line with the decline in revenue.

(Loss)/Profit for the Period

As a result of the foregoing, the Group's loss for the period has increased by approximately HK\$34.76 million, or approximately 264.13%, from a profit for the period of approximately HK\$13.16 million for the Prior Period to a loss for the period of approximately HK\$21.60 million for the Reporting Period.

FUTURE PLANS AND PROSPECTS

Given the unstable situation of the COVID-19 pandemic, the Company believes that the Group's business environment will continue to be challenging in short to medium term, especially in the exhibitions and events, cultural and entertainment industries. The management will continue to adopt a prudent approach to minimise the possible risk exposure under the uncertain economic environment. The Company expects the revenue will be improved after the COVID-19 pandemic is under control in the long term.

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

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Reporting Period (2020: HK\$Nil).

SIGNIFICANT INVESTMENTS

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 31 December 2021.

MATERIAL ACQUISITIONS AND DISPOSALS

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL RESOURCES

As at 31 December 2021, the Group's total current assets and current liabilities were approximately HK\$568.30 million (30 June 2021: approximately HK\$569.59 million) and approximately HK\$61.19 million (30 June 2021: approximately HK\$95.78 million) respectively, while the current ratio was about 9.29 times (30 June 2021: about 5.95 times).

The gearing ratio is the ratio of total debt divided by total assets. As at 31 December 2021, the gearing ratio was 4.84% (30 June 2021: 7.57%).

As at 31 December 2021, the Group maintained cash and cash equivalents of approximately HK\$90.33 million (30 June 2021: approximately HK\$69.06 million). The cash and cash equivalents of the Group as at 31 December 2021 was mainly denominated in Hong Kong dollars and RMB.

Equity securities listed in Hong Kong classified as financial assets at FVTPL with carrying amount of approximately HK\$244,000 are placed in margin accounts of a regulated securities broker. No margin facility was utilised as at 31 December 2021 and 30 June 2021.

BORROWINGS

In the foreseeable future, the Group expects to fund its capital expenditures, working capital and other capital requirements from internal resources and other financing means which the Company may from time to time consider appropriate. As at 31 December 2021, the Group's borrowings was approximately HK\$40.48 million (30 June 2021: approximately HK\$66.77 million).

The Group manages its capital to safeguard the Group's ability to continue as a going concern while maximising the return to shareholders through maintaining the equity and debt in a balanced position. As at 31 December 2021, the borrowings of approximately HK\$40.48 million were unsecured and fixed rate interest bearing debt securities.

FUND RAISING ACTIVITIES IN THE PAST SIX MONTHS

There was no equity fund raising activities of the Company during the Reporting Period.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2021 (30 June 2021: HK\$Nil).

CAPITAL COMMITMENTS

The Group had no material capital commitments contracted but not provided as at 31 December 2021 (30 June 2021: HK\$Nil).

FOREIGN EXCHANGE EXPOSURE

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group had a total of 101 full-time employees in Hong Kong and the PRC (30 June 2021: 97 full-time employees). The remuneration payable to its employees included salaries, discretionary bonus and commissions. Remuneration packages were generally structured according to market situations and individual performance. Apart from the mandatory provident fund and statutory retirement benefits, the Group also provided medical benefits and trainings to its employees. The Company has also adopted a share option scheme as incentive to eligible employees.

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

EVENT AFTER THE REPORTING PERIOD

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

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

Hong Kong, 25 February 2022

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