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NOVA Group Holdings Limited

諾發集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1360)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

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 2023 (the “**Reporting Period**”) together with comparative figures for the corresponding period in 2022 (the “**Prior Period**” or “**2022**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2023

		For the six months ended	
		31 December	
		2023	2022
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
CONTINUING OPERATIONS			
Revenue			
Contract with customers		6,029	6,689
Interest under effective interest method		—	23,685
		<hr/>	<hr/>
Total revenue	5	6,029	30,374
Cost of sales		(1,760)	(3,172)
		<hr/>	<hr/>

	<i>Notes</i>	For the six months ended	
		31 December	
		2023	2022
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Gross profit		4,269	27,202
Other income	6	98	764
Other gains and losses	7	873	(1,743)
Impairment loss on goodwill		–	(128,598)
Impairment loss on intangible asset		–	(864)
Impairment losses under expected credit loss model, net of reversal	8	–	(195,034)
Selling expenses		(364)	(4,000)
Administrative expenses		(9,796)	(13,725)
Operating loss from continuing operations		(4,920)	(315,998)
Finance costs		(2,209)	(1,972)
Loss before tax from continuing operations	7	(7,129)	(317,970)
Taxation	9	(79)	(11,431)
Loss for the period from continuing operations		(7,208)	(329,401)
DISCONTINUED OPERATION			
Loss for the period from discontinued operation		–	(243)
Loss for the period		(7,208)	(329,644)
Other comprehensive income/(expenses) for the period			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		2,737	(20,841)
Other comprehensive income/(expenses) for the period		2,737	(20,841)
Total comprehensive expenses for the period		(4,471)	(350,485)

	For the six months ended	
	31 December	
	2023	2022
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period attributable to:		
Owners of the Company	(6,693)	(329,644)
Non-controlling interests	(515)	–
	<u>(7,208)</u>	<u>(329,644)</u>
Total comprehensive expenses		
for the period attributable to:		
Owners of the Company	(3,956)	(350,485)
Non-controlling interests	(515)	–
	<u>(4,471)</u>	<u>(350,485)</u>
Loss per share:		
	<i>11</i>	
From continuing operations and discontinued operation		
Basic (<i>HK cents</i>)	<u>(0.33)</u>	<u>(17.76)</u>
Diluted (<i>HK cents</i>)	<u>(0.33)</u>	<u>(17.76)</u>
From continuing operations		
Basic (<i>HK cents</i>)	<u>(0.33)</u>	<u>(17.75)</u>
Diluted (<i>HK cents</i>)	<u>(0.33)</u>	<u>(17.75)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

		At 31 December 2023	At 30 June 2023
<i>Notes</i>		<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		10,273	195
Right-of-use assets		–	–
Deferred tax assets		21	21
		10,294	216
Current assets			
Inventories		1,797	–
Trade receivables	<i>12</i>	6,517	4,975
Factoring receivables	<i>13</i>	171,091	168,313
Lease receivables	<i>14</i>	2,262	2,225
Loan receivables		431	431
Prepayments, deposits and other receivables		5,022	3,449
Income tax receivables		1,100	1,112
Cash and bank balances		2,611	2,400
		190,831	182,905

		At 31 December 2023 <i>HK\$'000</i> (Unaudited)	At 30 June 2023 <i>HK\$'000</i> (Audited)
Current liabilities			
Trade payables	<i>15</i>	4,303	2,573
Contract liabilities		900	895
Accruals and other payables		22,522	8,356
Lease liabilities		–	1,155
Borrowing	<i>16</i>	9,000	3,235
Corporate bonds	<i>17</i>	42,639	40,671
Income tax payables		1,232	1,236
		<u>80,596</u>	<u>58,121</u>
Net current assets		<u>110,235</u>	<u>124,784</u>
Net assets		<u>120,529</u>	<u>125,000</u>
Capital and reserve			
Share capital	<i>18</i>	4,108	4,108
Reserves		116,936	120,892
Equity attributable to owners of the Company		121,044	125,000
Non-Controlling interests		(515)	–
Total equity		<u>120,529</u>	<u>125,000</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2023

1. ORGANISATION AND PRINCIPAL ACTIVITIES

NOVA Group Holdings Limited (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of Cayman Islands and is listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The principal place of business of the Company in Hong Kong has changed from Room 2102, 21/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong to Room 903, 9/F., Wings Building, 110-116 Queen’s Road Central, Central, Hong Kong with effect from 25 October 2023.

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the “**Group**”) is principally engaged in the operation of cultural and entertainment comprehensive services platform and provision of loan and financing services. The discontinued operation of the Group was involved in the organisation and sponsorship of exhibitions and events.

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 31 December 2023 (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 D2 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 27 February 2024.

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 2023 as contained in the Company’s annual report 2022/23 (the “**Annual Report**”).

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

Going concern

The Group reported a loss attributable to the owners of the Company of approximately HK\$6,693,000 for the Reporting Period and, as of that date, the Group's cash and bank balances amounted to approximately HK\$2,611,000, while the Group recorded outstanding principal amount of borrowing of approximately HK\$9,000,000 and principal amount of corporate bonds of HK\$36,000,000 which are due for repayment within the next twelve months. Although the Group had net assets of approximately HK\$120,529,000 and net current assets of approximately HK\$110,235,000, the net assets and net current assets position were mainly comprised of factoring receivables, finance lease receivables and trade receivables as at 31 December 2023, which carrying amount were approximately HK\$171,091,000, HK\$2,262,000 and HK\$6,517,000 respectively.

These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to relieve the liquidity pressure and to improve its financial position which include, but are not limited to, the following:

- 1) The directors of the Company ("**Directors**") are closely monitoring the progress of the recovery actions, including but not limited to legal actions, against the respective debtors;
- 2) The Directors have been actively looking for additional sources of financing; and
- 3) The Directors will implement appropriate cost-leadership measures to cope with all operational costs.

The Directors are of the opinion that, taking into account the above-mentioned measures, it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue its business as a going concern, adjustments would have to be made in the financial statements to write down the values of the assets to their recoverable amounts and to provide for any further liabilities which might arise. The effect of such adjustments has not yet been reflected in the financial statements.

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 2023 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKFRS 17	Insurance Contracts and related Amendments
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information
HKAS 12 (Amendments)	International Tax Reform –Pillar Two Model Rules

The application of the amendments to HKFRSs in the current period had no material impact on the Group's results and financial positions for the Reporting Period and for the six months ended 31 December 2022 (“**Prior Period**” or “**2022**”) 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 resources allocation and assessment of segment performances focuses on types of services provided.

The operating and reportable segments are as follows:

Continuing operations

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

Discontinued operation

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

Segment revenue and results

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

For the six months ended 31 December

	Continuing operations				Total for		Discontinued operation		Total	
	Cultural and entertainment		Financing		Continuing operations		Exhibitions and events		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue										
External customers	6,029	6,689	-	23,685	6,029	30,374	-	-	6,029	30,374
Results										
Segment results	(1,859)	(138,294)	(757)	(171,252)	(2,616)	(309,546)	-	(225)	(2,616)	(309,771)
Unallocated net loss on financial assets at FVTPL					-	(490)	-	-	-	(490)
Unallocated income and other gains and losses					874	121	-	-	874	121
Unallocated corporate expenses					(3,225)	(6,105)	-	-	(3,225)	(6,105)
Finance costs					(2,162)	(1,950)	-	-	(2,162)	(1,950)
Loss before tax					(7,129)	(317,970)	-	(225)	(7,129)	(318,195)
Taxation					(79)	(11,431)	-	(18)	(79)	(11,449)
Loss for the period					(7,208)	(329,401)	-	(243)	(7,208)	(329,644)

Segment assets and liabilities

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

	Cultural and entertainment		Financing		Total	
	At 31 December 2023 <i>HK\$'000</i> (Unaudited)	At 30 June 2023 <i>HK\$'000</i> (Audited)	At 31 December 2023 <i>HK\$'000</i> (Unaudited)	At 30 June 2023 <i>HK\$'000</i> (Audited)	At 31 December 2023 <i>HK\$'000</i> (Unaudited)	At 30 June 2023 <i>HK\$'000</i> (Audited)
Assets						
Segment assets	23,914	6,629	175,424	172,428	199,338	179,057
Assets of a discontinued operation					-	324
Unallocated corporate assets					1,787	3,740
Total reportable segment assets					201,125	183,121
Liabilities						
Segment liabilities	25,856	13,109	1,991	1,824	27,847	14,933
Liabilities of a discontinued operation					-	53
Unallocated corporate liabilities					52,749	43,135
Total reportable segment liabilities					80,596	58,121

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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Revenue from contracts with customers:		
Brand management	600	906
Promotion and consulting services	553	2,487
Trading of goods	284	3,296
Club and entertainment business	4,592	–
	<u>6,029</u>	<u>6,689</u>
Interest under effective interest method:		
Financing income		
– Credit factoring services	–	22,894
– Finance leasing services	–	513
– Money lending services	–	278
	<u>–</u>	<u>23,685</u>
Total	<u>6,029</u>	<u>30,374</u>
Timing of revenue recognition:		
At a point in time	4,876	3,878
Over time	1,153	2,811
	<u>6,029</u>	<u>6,689</u>
Revenue from contracts with customers	6,029	6,689
Revenue from other sources	–	23,685
	<u>6,029</u>	<u>23,685</u>
Total	<u>6,029</u>	<u>30,374</u>

6. OTHER INCOME

	For the six months ended	
	31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Government grants	–	745
Interest income	47	6
Sundry income	51	13
	<u>98</u>	<u>764</u>

7. LOSS BEFORE TAX

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

	For the six months ended	
	31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Staff costs:		
Employee benefits expenses (including directors' emoluments)		
– Salaries, allowance and other benefit	4,762	6,269
– Retirement benefit scheme contributions	426	823
	<u>5,188</u>	<u>7,092</u>

	For the six months ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Other items:		
Amortisation of intangible assets	–	132
Depreciation of:		
– property, plant and equipment	145	74
– right-of-use assets	–	582
Cost of inventories recognised in cost of sales	1,722	3,029
Lease expenses on short-term leases	<u>270</u>	<u>356</u>
Other (gains) and losses:		
Net loss on financial assets at FVTPL	–	490
Exchange (gains)/losses, net	(11)	37
Write-off of property, plant and equipment	43	–
Gain on derecognition of lease	(705)	–
Gain on disposal of fixed assets	(200)	–
Loss on non-substantial modification of corporate bond	<u>–</u>	<u>1,216</u>
	<u>(873)</u>	<u>1,743</u>

8. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	For the six months ended	
	31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Impairment losses recognised/(reversed) on:		
– Trade receivables (<i>Note 12</i>)	–	2,848
– Factoring receivables (<i>Note 13</i>)	–	184,748
– Lease receivables (<i>Note 14</i>)	–	7,455
– Loan receivables	–	(17)
	<hr/>	<hr/>
	–	195,034
	<hr/> <hr/>	<hr/> <hr/>

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 Annual Report.

9. TAXATION

	For the six months ended	
	31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Current tax:		
– PRC Enterprise Income Tax	79	836
Deferred tax expense:		
– Current period	–	10,595
Income tax expense for continuing operations	79	11,431
Income tax expense for discontinued operation	–	18
Total income tax expense	<u>79</u>	<u>11,449</u>

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

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

10. DIVIDENDS

The Directors do not recommend the payment of any dividend for the Reporting Period (2022: Nil).

12. TRADE RECEIVABLES

	At 31 December 2023 <i>HK\$'000</i> (Unaudited)	At 30 June 2023 <i>HK\$'000</i> (Audited)
Trade receivables from contracts with customers	36,971	34,934
Less: impairment allowance	<u>(30,454)</u>	<u>(29,959)</u>
	<u>6,517</u>	<u>4,975</u>

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

	At 31 December 2023 <i>HK\$'000</i> (Unaudited)	At 30 June 2023 <i>HK\$'000</i> (Audited)
0-30 days	921	144
31-60 days	71	147
61-90 days	84	175
91-180 days	383	1,021
181-365 days	1,512	1,527
Over 1 year	<u>3,546</u>	<u>1,961</u>
	<u>6,517</u>	<u>4,975</u>

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

	At 31 December 2023 <i>HK\$'000</i> (Unaudited)	At 30 June 2023 <i>HK\$'000</i> (Audited)
0-30 days	195	1,129
31-60 days	134	155
61-90 days	189	168
91-180 days	1,136	822
181-365 days	468	1,723
Over 1 year	3,545	964
	<u>5,667</u>	<u>4,961</u>

At as 31 December 2023, in respect of those included in the Group's trade receivables with carrying amount of approximately HK\$36,121,000 (30 June 2023: HK\$34,920,000) which are past due, the Group has taken actions, including but not limited to legal actions, to recover the balances. The Directors considered these trade receivables are credit-impaired.

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

	At 31 December 2023 <i>HK\$'000</i> (Unaudited)	At 30 June 2023 <i>HK\$'000</i> (Audited)
At the beginning of the period/year	29,959	14,243
Amounts recognised during the period/year, net	–	17,600
Exchange realignment	495	(1,884)
	<u>30,454</u>	<u>29,959</u>

13. FACTORING RECEIVABLES

	At 31 December 2023 <i>HK\$'000</i> (Unaudited)	At 30 June 2023 <i>HK\$'000</i> (Audited)
Factoring receivables	497,460	489,383
Interest receivables from factoring receivables	17,102	16,824
<i>Less: impairment allowance</i>	<u>(343,471)</u>	<u>(337,894)</u>
	<u>171,091</u>	<u>168,313</u>

At the end of the Reporting Period and 30 June 2023, all of the Group's factoring receivables were overdue.

All balances are denominated in RMB. The factoring receivables granted to customers are measured at amortised cost and generally for a period of 4 months to 3 years. The effective interest rates of factoring receivables as at 31 December 2023 range from 2.11% to 5.72% (30 June 2023: 2.11% to 5.72%) per annum.

As at 31 December 2023 and 30 June 2023, all of the Group's factoring receivables have defaulted in payments of either interest or principal and the Group has taken actions, including but not limited to legal actions, to recover the balances. The Directors considered all factoring receivables are credit-impaired.

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

	At 31 December 2023 <i>HK\$'000</i> (Unaudited)	At 30 June 2023 <i>HK\$'000</i> (Audited)
At the beginning of the period/year	337,894	26,663
Amounts recognised during the period/year, net	–	327,344
Exchange realignment	<u>5,577</u>	<u>(16,113)</u>
At the end of the period/year	<u>343,471</u>	<u>337,894</u>

14. LEASE RECEIVABLES

	At 31 December 2023 <i>HK\$'000</i> (Unaudited)	At 30 June 2023 <i>HK\$'000</i> (Audited)
Lease receivables from sale-leaseback transactions	18,480	18,179
Less: impairment allowance	<u>(16,218)</u>	<u>(15,954)</u>
	<u><u>2,262</u></u>	<u><u>2,225</u></u>

At the end of the Reporting Period and 30 June 2023, all of the Group's lease receivables from sale-leaseback transactions were overdue.

All leases are denominated in RMB. Lease receivables from sale-leaseback transactions are measured at amortised cost and generally for 3 years. The effective interest rate of the lease receivables from sale-leaseback transactions as at 31 December 2023 is 2.78% (30 June 2023: 2.78%) per annum.

As at 31 December 2023 and 30 June 2023, all of the Group's lease receivables from sale-leaseback transactions have defaulted in payments, past due and the Group has taken actions, including but not limited to legal actions, to recover the balances. The Directors considered all lease receivables from sales-leaseback transactions are credit-impaired.

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

	At 31 December 2023 <i>HK\$'000</i> (Unaudited)	At 30 June 2023 <i>HK\$'000</i> (Audited)
At the beginning of the period/year	15,954	3,343
Amounts recognised during the period/year, net	–	13,452
Exchange realignment	<u>264</u>	<u>(841)</u>
At the end of the period/year	<u><u>16,218</u></u>	<u><u>15,954</u></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.

15. TRADE PAYABLES

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

	At 31 December 2023 <i>HK\$'000</i> (Unaudited)	At 30 June 2023 <i>HK\$'000</i> (Audited)
0-30 days	1,673	20
31-60 days	–	–
61-90 days	16	–
91-180 days	19	–
181-365 days	–	744
Over 1 year	2,595	1,809
	<u>4,303</u>	<u>2,573</u>

The average credit period ranges from 0-180 days.

16. BORROWING

	At 31 December 2023 <i>HK\$'000</i> (Unaudited)	At 30 June 2023 <i>HK\$'000</i> (Audited)
Bank loan (<i>Note a</i>)	–	3,235
Other loan (<i>Note b</i>)	9,000	–
	<u>9,000</u>	<u>3,235</u>

Notes:

- (a) As at 30 June 2023, a bank loan of RMB3,000,000 (equivalent to approximately HK\$3,235,000) is interest bearing at an interest rate of 3.8% per annum, which is unsecured, guaranteed by a director of the Company and his spouse, and the loan was fully settled during the Reporting Period.
- (b) At 31 December 2023, the other loan from an independent third party of HK\$9,000,000 is interest bearing at an interest rate of 18% per annum, which is secured by shares of a subsidiary of the Company and repayable within one year.

17. CORPORATE BONDS

The carrying amount of corporate bonds recognised at the end of the Reporting Period was calculated as follows:

	HK\$'000
At 30 June 2023 and 1 July 2023 (Audited)	40,671
Effective interest expenses	<u>1,968</u>
At 31 December 2023 (Unaudited)	<u>42,639</u>

The effective interest rate is at 10.41% per annum with maturity date on 30 June 2024.

18. SHARE CAPITAL

	Par value HK\$'000	Number of ordinary shares	Nominal value of ordinary shares HK\$'000
Authorised:			
At 1 July 2021, 30 June 2022, 1 July 2022 and 31 December 2022	<u>0.002</u>	<u>5,000,000,000</u>	<u>10,000</u>
Issued and fully paid:			
At 1 July 2022	0.002	1,855,903,277	3,712
Placing of shares (<i>Note</i>)	<u>0.002</u>	<u>198,250,000</u>	<u>396</u>
At 30 June 2023, 1 July 2023 and 31 December 2023	<u>0.002</u>	<u>2,054,153,277</u>	<u>4,108</u>

Note:

On 20 January 2023, a total of 198,250,000 ordinary shares were issued pursuant to the terms and conditions of the Placing Agreement.

19. MATERIAL RELATED PARTIES TRANSACTIONS

(a) *Balances with related parties*

	For the six months ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amount due to an executive director (<i>Note a</i>)	2,701	–
Amount due to non-controlling interest (<i>Note b</i>)	<u>7,350</u>	<u>–</u>

Notes:

- (a) Included in accruals and other payables as at 31 December 2023, is an amount due to Mr. Deng Zhonglin which is unsecured, interest-free, and repayable on demand.
- (b) Included in accruals and other payables as at 31 December 2023, is an amount due to non-controlling interest which is unsecured, interest-free, and repayable on demand.

(b) *Compensation of key management personnel*

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

	For the six months ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kind	1,030	1,109
Retirement benefits scheme contributions	<u>15</u>	<u>23</u>
Total compensation paid to key management personnel	<u>1,045</u>	<u>1,132</u>

20. CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 31 December 2023 and 30 June 2023.

21. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2023 and 30 June 2023.

22. EVENTS AFTER THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Revenue and segment results of the Group for the six months ended 31 December 2023 (the “**Reporting Period**”) and for the six months ended 31 December 2022 (the “**Prior Period**” or “**2022**”) are set out as follows:

	For the six months ended	
	31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Exhibitions and events	–	–
Cultural and entertainment	6,029	6,689
Financing	–	23,685
	<u>6,029</u>	<u>30,374</u>
Segment loss from		
Exhibitions and events	–	(225)
Cultural and entertainment	(1,859)	(138,294)
Financing	(757)	(171,252)
	<u>(2,616)</u>	<u>(309,771)</u>

Exhibitions and Events Business

As reported in the annual report of the Company for the year ended 30 June 2023 (the “**Annual Report**”), we had discontinued operation of the exhibitions and events business segment, and hence no revenue from such business segment was recorded for the Reporting Period.

Cultural and Entertainment Business

During the Reporting Period, revenue from our cultural and entertainment businesses contributed to approximately HK\$6.0 million, or 100.0% of the Group’s revenue, of which approximately HK\$4.6 million, or approximately 76.1% of the Group’s revenue, was generated from our newly commenced clubbing operation in Central, Hong Kong, targeting customers on entertainment and wine (the “**New Operation**”). The management of the Group is of the view that the New Operation may generate a new income stream for the Group in the future and hence enhance the Group’s current financial position as well as relieve its going concern issue.

On the other hand, as disclosed in the Annual Report, the outbreak of the COVID-19 pandemic and the implementation of a four-month long lockdown in Shanghai in 2022 had curtailed almost all consumerist businesses thereat, thereby turning what was once a boom into a bust. Suffice to say, the subsequent economic downturn in the People’s Republic of China (“**PRC**”) has hit hard in many walks of trade, and our Group was no exception, in particular our cultural and entertainment, and financing businesses. In the meantime, the economic downturn in the PRC has yet to show any marked abatement, and, as such, our cultural and entertainment business had been continuously held back. Some of the Group’s NOD Union members, customers in brand management and/or long-term relationship customers have either temporarily suspended or chosen to close down their operations. In spite of the revocation of the COVID-19 social distancing measures, the economic scars lasting from them have impacted consumer confidence by far. As a result, except for the revenue generated from the New Operation, our revenue from other businesses in this business segment contributed approximately HK\$1.4 million, or approximately 23.9% of the Group’s revenue. Even though the lockdown is now over, the continual lackluster consumerism did not have any positive impact on the Group during the Reporting Period. The Group reckons that it is going to take time to make consumption habits finally rekindle themselves.

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

	For the six months ended	
	31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Brand management	600	906
Promotion and consulting services	553	2,487
Trading of goods	284	3,296
Club and entertainment business	4,592	–
	<u>6,029</u>	<u>6,689</u>

Financing Business

As disclosed in the Annual Report, the factoring receivables, finance lease receivables and loan receivables amounted to approximately HK\$168.3 million, HK\$2.2 million and HK\$0.4 million, respectively, net of impairment allowances of approximately HK\$337.9 million, HK\$16.0 million and HK\$1.1 million, respectively as at 30 June 2023, among which impairment allowances of approximately HK\$327.3 million, HK\$13.5 million and HK\$1.1 million, respectively, were charged to profit or loss for the year ended 30 June 2023.

The deterioration of such impairment allowance recognised for the year ended 30 June 2023 was arising from the uncertainty of the recoverability of the factoring receivables, which was mainly due to the outbreak of the COVID-19 pandemic and the ensuing implementation of lockdown measures in Shanghai as previously mentioned in the Annual Report. Following the relaxation of travel measures in February 2023, it had not given the Group any positive impact or even a dust of vitality. In any event, we have no sense to predict whatever the momentum of the global economic downturn will be, how the businesses become worse resulting from this crisis, or how long it will take for the global market to recover. We are still focusing on recovering the debts in the best possible way and attempting to communicate with our customers in several ways, such as through site visits, sending out demand letters, and/or phone calls, as well as by consulting an independent law firm in the PRC about the possibility of taking legal action against our customers for the recovery of debts.

During the Reporting Period, we had successfully won a legal case against one of our customers entitling us to recover an amount of approximately HK\$8.1 million (equivalent to approximately RMB7.4 million). However, the debt has yet to be recovered, and the concrete repayment plan is still under discussion. In addition, two legal cases brought by us against our customers for the recovery of factoring loan receivable in the amount of approximately HK\$7.9 million (equivalent to approximately RMB7.3 million) had been heard at the Shanghai People’s Court in November 2023, judgment of which have not been handed down as at the end of the Reporting Period. In the meantime, we are seeking advice from an independent law firm in the PRC in relation to how we can utilise our limited funds in an appropriate way, and to recover debts from our customers in accordance with PRC law. Should there be any update on the progress of the recovery of debts, announcement(s) will be published as and when appropriate.

No revenue was generated from our financing business during the Reporting Period as compared to approximately HK\$23.7 million for the Prior Period.

The financing business is currently divided into the following components:

	For the six months ended	
	31 December	
	2023	2022
	<i>HK\$’000</i>	<i>HK\$’000</i>
Credit factoring	–	22,894
Finance leasing	–	513
Money lending	–	278
	<hr/>	<hr/>
	–	23,685
	<hr/> <hr/>	<hr/> <hr/>

FINANCIAL REVIEW

During the Reporting Period, the Group has recorded approximately HK\$6.0 million in revenue, representing a decrease of approximately 80.2% as compared with that in the Prior Period of approximately HK\$30.4 million. Operating loss for the Reporting Period was approximately HK\$4.9 million, representing a decrease of approximately 98.4% as compared with that in the Prior Period of approximately HK\$316.0 million. Net loss for the Reporting Period was approximately HK\$7.2 million, representing a decrease of approximately 97.8% as compared with that in the Prior Period of approximately HK\$329.6 million. The decrease in net loss was mainly attributable to the recognition of the impairment loss on goodwill of approximately HK\$128.6 million and the impairment losses under the expected credit loss (“ECL”) model, net of reversal of approximately HK\$195.0 million for the Prior Period.

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	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	6,029	30,374
Operating loss	(4,920)	(315,998)
Operating loss margin (%)	81.6%	1,040.4%
Impairment loss on goodwill	–	(128,598)
Impairment loss on intangible asset	–	(864)
Net loss on financial assets at fair value through profit or loss (“FVTPL”)	–	(490)
Impairment losses under ECL model, net of reversal	–	(195,034)
Loss for the period	<u>(7,208)</u>	<u>(329,644)</u>

Revenue

The revenue decreased by approximately HK\$24.4 million, or approximately 80.2%, from approximately HK\$30.4 million for the Prior Period to approximately HK\$6.0 million for the Reporting Period. The reduction was mainly attributable to the absence of revenue generated from the financing business segment for the Reporting Period. In fact, the Group did not grant any loans to customers due to the economic downturn and weakness after the relaxation of the COVID-19 pandemic. In addition, there was no revenue from the exhibitions and events segment due to the outbreak of COVID-19 pandemic.

Other Gains and Losses

The other gains and losses increased by approximately HK\$2.6 million, or approximately 152.9%, from a loss of approximately HK\$1.7 million for the Prior Period to a gain of approximately HK\$0.9 million for the Reporting Period. Such increment was primarily due to the absence of a loss on non-substantial modification of corporate bonds of approximately HK\$1.2 million and a net loss on financial assets at FVTPL of approximately HK\$0.5 million for the Prior Period.

Impairment Loss on Goodwill/Intangible Assets

As disclosed in the Annual Report, with reference to the professional valuation performed by Peak Vision Appraisals Limited for assessing respective cash-generating Units (“CGUs”) and intangible assets as at 30 June 2023, the recoverable amounts of CGUs were determined based on a value-in-use calculation with the assistance of the independent professional qualified valuers not connected with the Group. The calculation uses cash flow projections based on financial budgets approved by the management. However, applying the major underlying assumptions on which the management of the Group has based in the preparation of cash flow projections to undertake impairment testing of goodwill and intangible assets, the management of the Group indicated that the results of each respective CGU were less than satisfactory past and expected performance. In this respect, during the Reporting Period, there was no movement in connection with the recognition of impairment loss on goodwill and/or intangible assets as their amounts were previously impaired to zero.

Impairment Losses under ECL Model, Net of Reversal

During the Reporting Period, the Group has not granted any new loan(s) to independent third parties, due to the fact that the management of the Group has taken a conservative approach to the financing business and also due to the economic downturn and weaknesses of the global market.

With reference to the Annual Report, the management of the Group has also indicated that, there was no significant impact on the assessment of impairment testing for each respective receivable to apply the same assessment performed by the Group when calculating the impairment amounts for the year ended 30 June 2023. The management of the Group is of the view that, there was no significant difference on the assumption basis and had not seen any significant amounts that needed to be recognised during the Reporting Period.

Selling and Administrative Expenses

The Group's selling expenses decreased by approximately HK\$3.6 million, or approximately 90.9%, from approximately HK\$4.0 million for the Prior Period to approximately HK\$0.4 million for the Reporting Period.

The Group's administrative expenses decreased by approximately HK\$3.9 million, or approximately 28.6%, from approximately HK\$13.7 million for the Prior Period to approximately HK\$9.8 million for the Reporting Period. The decrease was mainly 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 decreased by approximately HK\$311.1 million, or approximately 98.4%, from an operating loss of approximately HK\$316.0 million for the Prior Period to that of approximately HK\$4.9 million for the Reporting Period. The Group's operating loss margin decreased from a loss margin of approximately 1,040.4% for the Prior Period to that of approximately 81.6% for the Reporting Period. The decrease was mainly due to a one-off non-cash accounting treatment on the impairment losses under ECL model, net of reversal and the impairment loss on goodwill recognised in the Prior Period.

Finance Costs

The finance costs increased by approximately HK\$0.2 million, or approximately 12.0%, from approximately HK\$2.0 million for the Prior Period to approximately HK\$2.2 million for the Reporting Period. The increase in finance costs was mainly due to a new loan of HK\$9 million borrowed during the Reporting Period.

Taxation

The Group recorded tax expenses of approximately HK\$0.1 million for the Reporting Period, as compared with that of approximately HK\$11.4 million for the Prior Period.

Loss for the Period

As a result of the foregoing, the Group's loss for the period decreased by approximately HK\$322.4 million, or approximately 97.8%, from a loss of approximately HK\$329.6 million for the Prior Period to that of approximately HK\$7.2 million for the Reporting Period.

FUTURE PLANS AND PROSPECTS

Despite the turmoil of the global economy or the continual lackluster consumerism that has not come to an end, our challenge has not ended. With rather low inflation pressure, loosened monetary policies, and effective implementation of various measures to stabilise growth in the PRC in the future, the national economic growth will see a gradual recovery. We expect that the New Operation will be our new hope and can bring another new funding stream to the Group, while we are still striving for the recovery of debts to improve our financial position in the coming future.

INTERIM DIVIDEND

The Board does recommend the payment of an interim dividend for the Reporting Period (2022: 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 2023.

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 2023, the Group's total current assets and current liabilities were approximately HK\$190.8 million (30 June 2023: approximately HK\$182.9 million) and approximately HK\$80.6 million (30 June 2023: approximately HK\$58.1 million) respectively, while the current ratio was about 2.4 times (30 June 2023: about 3.1 times).

The gearing ratio is the ratio of total debt divided by total assets. As at 31 December 2023, the gearing ratio was 25.7% (30 June 2023: 24.0%).

As at 31 December 2023, the Group maintained cash and cash equivalents of approximately HK\$2.6 million (30 June 2023: approximately HK\$2.4 million). The cash and cash equivalents of the Group as at 31 December 2023 was mainly denominated in Hong Kong dollars (“**HK\$**”) and Renminbi (“**RMB**”).

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 2023, the Group's borrowings was approximately HK\$9.0 million (30 June 2023: approximately HK\$3.2 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 2023, the borrowings of approximately HK\$9.0 million were secured by shares of a subsidiary of the Company and charged at an interest rate of 18% per annum.

FUND RAISING ACTIVITIES IN THE PAST SIX MONTHS

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

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2023 (30 June 2023: HK\$Nil).

CAPITAL COMMITMENTS

The Group had no material capital commitments contracted but not provided as at 31 December 2023 (30 June 2023: 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 2023, the Group had a total of 77 full-time employees in Hong Kong and the PRC (30 June 2023: 23 full-time employees). The remuneration payable to its employees included salaries, discretionary bonus and commissions. Remuneration packages were generally structured according to market situations and individual performance. Apart from the mandatory provident fund and statutory retirement benefits, the Group also provided medical benefits and trainings to its employees. The Company has also adopted a share option scheme as incentive to eligible employees.

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

The total remuneration cost incurred by the Group for the Reporting Period was approximately HK\$5.2 million (2022: approximately HK\$7.1 million).

EVENT AFTER THE REPORTING PERIOD

There is no significant event affecting the Group that has occurred since the end of the Reporting Period.

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 C1 to the Listing Rules as its own code of corporate governance.

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

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

Mr. Wong Yuk Lun Alan was appointed as the chairman of the Board (the “**Chairman**”) and the chief executive officer of the Company (the “**CEO**”) on 6 April 2023. 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 three executive Directors and three independent non-executive Directors, the Board is appropriately structured with a balance of power to provide sufficient checks and supervision to protect the interests of the Company and its shareholders. The Company may seek to re-comply with code provision C.2.1 by identifying and appointing a suitable and qualified candidate to the position of the CEO in due course by considering the business needs and developments of the Group.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 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.

MATERIAL UNCERTAINTIES RELATING TO GOING CONCERN

Reference is made to the subsection headed “Going Concern” in Note 2 to the condensed consolidated financial statements of this announcement that the Group incurred a loss attributable to owners of the Company of approximately HK\$6,693,000 for the Reporting Period and, as of that date, the Group’s cash and bank balances amounted to approximately HK\$2,611,000, while the Group recorded outstanding principal amount of borrowing of approximately HK\$9,000,000 and principal amount of corporate bond of HK\$36,000,000 which are due for repayment within the next twelve months. Although the Group had net assets of approximately HK\$120,529,000 and net current assets of approximately HK\$110,235,000, the net assets and net current assets position were mainly comprised of factoring receivables, finance lease receivables and trade receivables as at 31 December 2023, which carrying amounts were approximately HK\$171,091,000, HK\$2,262,000 and HK\$6,517,000 respectively. These conditions along with the current situation are set forth in Note 2, which indicate the existence of a material uncertainty that may cast significant doubt about the Group’s ability to continue as a going concern.

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), Dr. Wong Kong Tin, *JP* and Mr. To Chun Wai.

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 aforesaid websites in due course.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended from 9:00 a.m. on 3 October 2023 and will remain suspended until further notice.

By Order of the Board
NOVA Group Holdings Limited
Wong Yuk Lun Alan
Chairman and Chief Executive Officer

Hong Kong, 27 February 2024

As at the date of this announcement, the Board comprises Mr. Wong Yuk Lun Alan (Chairman and Chief Executive Officer), Mr. Deng Zhonglin and Mr. Lam Wai Hung as executive Directors; and Mr. Tsang Wing Ki, Dr. Wong Kong Tin, JP and Mr. To Chun Wai as independent non-executive Directors.