NOVA Group Holdings Limited
諾發集團控股有限公司

(formerly known as Mega Expo Holdings Limited)

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1360)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2019

The board of directors (the "**Board**") of NOVA Group Holdings Limited (the "**Company**") presents the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 30 June 2019 together with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Revenue	*5*	**576,120**	254,051
Cost of sales		**(192,810)**	(137,787)
Gross profit		**383,310**	116,264
Other income		**16,574**	1,814
Other gains and losses	*6*	**1,244**	28,619
Net loss on financial assets at fair value through profit or loss	*6*	**(30,009)**	(23,974)
Net (loss)/gain on change in fair value of contingent consideration payables		**(23,255)**	43,433
Selling expenses		**(19,068)**	(12,570)
Administrative expenses		**(110,301)**	(40,209)
Operating profit		**218,495**	113,377
Finance costs		**(22,665)**	(237)

	Notes	2019 HK$'000	2018 HK$'000
Profit before tax	6	**195,830**	113,140
Taxation	7	**(88,514)**	(22,435)
Profit for the year		**107,316**	90,705
Other comprehensive income/(expense)			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(12,328)**	(3,907)
Release of exchange reserve upon deregistration of a subsidiary		**–**	169
Total comprehensive income for the year		**94,988**	86,967
Profit/(loss) for the year attributable to:			
Owners of the Company		**107,514**	90,706
Non-controlling interests		**(198)**	(1)
		107,316	90,705
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		**95,195**	86,968
Non-controlling interests		**(207)**	(1)
		94,988	86,967
Earnings per share attributable to owners of the Company:	9		
Basic *(HK cents)*		**7.39**	6.49
Diluted *(HK cents)*		**7.20**	6.49

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**4,738**	5,980
Intangible assets		**14,252**	22,511
Goodwill	*10*	**332,417**	290,982
Financial assets at fair value through profit or loss	*13*	**7,977**	13,430
Interest in an associate		**–**	12
Prepayment and deposits	*12*	**16,062**	1,703
Deferred tax assets		**1,465**	5,525
		376,911	340,143
Current assets			
Inventories		**2,159**	3,400
Trade receivables	*11*	**171,327**	109,793
Factoring receivables		**307,557**	–
Prepayments, deposits and other receivables	*12*	**52,275**	14,954
Financial assets at fair value through profit or loss	*13*	**48,887**	3,355
Income tax receivables		**2,089**	231
Cash and cash equivalents		**212,951**	171,175
		797,245	302,908
Current liabilities			
Trade payables	*14*	**26,445**	9,604
Receipts in advance		**2,528**	2,810
Contract liabilities		**13,210**	–
Accruals, deposits received and other payables	*15*	**33,129**	43,909
Contingent consideration payables	*16*	**83,061**	45,979
Income tax payables		**26,655**	11,845
		185,028	114,147
Net current assets		**612,217**	188,761
Total assets less current liabilities		**989,128**	528,904

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Non-current liabilities			
Contract liabilities		**9,496**	–
Contingent consideration payables	*16*	**87,280**	136,442
Corporate bonds	*17*	**324,525**	2,594
Convertible bonds/convertible note	*18*	**23,345**	–
		444,646	139,036
NET ASSETS		**544,482**	389,868
Capital and reserves			
Share capital	*19*	**2,926**	2,908
Reserves		**545,724**	391,285
Equity attributable to owners of the Company		**548,650**	394,193
Non-controlling interests		**(4,168)**	(4,325)
TOTAL EQUITY		**544,482**	389,868

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of Cayman Islands and is listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The principal place of business of the Company in Hong Kong is Suites 911–912, Level 9, One Pacific Place, 88 Queensway, Hong Kong.

The Company is an investment holding Company. The principal activities of its subsidiaries are organisation of exhibitions, events planning and related services, provision of brand management and related services, provision of contracting services and entertainment equipment solution, provision of promotion and consulting services, and provision of loan and financing.

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

2. BASIS OF PREPARATION

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

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

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

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

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") for the first time in the current year:

HKFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HKAS 28 (amendments)	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
HKAS 40 (amendments)	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

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

3.1 HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 July 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to the contracts that are not completed at 1 July 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Organisation of exhibitions, events planning and related services income;
- Contracting services and entertainment equipment solution income;
- Brand management and related services income; and
- Promotion and consulting services income.

Summary of effects arising from initial application of HKFRS 15

The following table summarises the impacts of transition to HKFRS 15 on retained earnings at 1 July 2018.

	At 1 July 2018 *HK$'000*
Revenue recognised over time	(7,580)
Cost of sales	41
Tax effect	758
Total impact	(6,781)
Adjustment to retained earnings	(6,781)
Adjustment to non-controlling interests	—
	(6,781)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 July 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 30 June 2018	**Reclassification**	**Remeasurement**	**Carrying amounts under HKFRS 15 at 1 July 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current asset				
Deferred tax assets	5,525	—	747	6,272
Current asset				
Prepayments, deposits and other receivables	14,954	—	489	15,443
Current liabilities				
Contract liabilities	—	26,309	4,098	30,407
Receipts in advance	2,810	(2,810)	—	—
Accruals, deposits received and other payables	43,909	(23,499)	—	20,410
Non-current liability				
Contract liabilities	—	—	3,820	3,820
Capital and reserves				
Reserves	391,285	—	(6,682)	384,603

Note:

(a) Receipts in advance from the organisation of exhibitions, events planning and related services of approximately HK$2,810,000 are recognised as contract liabilities.

Deferred revenue of the membership income from NOD Union in promotion and consulting services of approximately HK$23,499,000 which has not yet recognised as revenue and recognised as contract liabilities.

The Group's contracts with customers for brand management and related services allows customer access as it exists at any given time. Taking into account the contract terms, the legal and regulatory environment in the PRC, the contracts provide the Group enforceable right to payment for performance completed to date and hence should be recognised overtime upon application of HKFRS 15. Approximately HK$747,000, HK$489,000, HK$99,000 and HK$6,781,000 have been adjusted from deferred tax assets, other receivables, exchange reserve and opening retained earnings respectively with corresponding adjustment of approximately HK$7,918,000 to contract liabilities.

3.2 HKFRS 9 "Financial Instruments" and the related amendments

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 July 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. The difference between the carrying amounts as at 30 June 2018 and the carrying amounts as at 1 July 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

The directors of the Company (the "**Directors**") considered that there is no material impact on the classification of the financial assets and financial liabilities as at 1 July 2018 resulting from the application of HKFRS 9.

Impairment under ECL model

The Group applies HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables and factoring receivables. The balances have been assessed individually.

ECL for other financial assets at amortised cost, including other receivables and bank balances, are assessed on 12 months expected credit loss ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

The Directors considered that the measurement of ECL has no material impact to the Group's retained earnings at 1 July 2018.

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 3 (amendments)	Definition of a Business[4]
HKFRS 9 (amendments)	Prepayment Features with Negative Compensation[1]
HKFRS 10 and HKAS 28 (2011) (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HKAS 1 and HKAS 8 (amendments)	Definition of Material[2]
HKAS 19 (amendments)	Plan Amendment, Curtailment or Settlement[1]
HKAS 28 (amendments)	Long-term Interests in Associates and Joint Ventures[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
HKFRSs (amendments)	Annual Improvement to HKFRSs 2015–2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

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

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

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

[5] Effective date to be determined.

Except for the new and amendments to HKFRSs mentioned below, the Directors anticipate that all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted for as a sale. HKFRS 16 also includes requirements relating to subleases and lease modification.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, operating lease payments are presented as operating cash flows. Under HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2019, the Group has operating lease commitments of approximately HK$23,612,000 (2018: approximately HK$34,716,000). A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of approximately HK$5,325,000 (2018: approximately HK$4,097,000) as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

4. SEGMENT INFORMATION

Business segment

Information reported to the management of the Group, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performances focuses on types of services provided.

The operating and reportable segments are as follows:

Organisation of exhibitions, events planning and related services	Organising trade shows and exhibitions, events planning, provision of additional facilities, sub-contracting, management and ancillary services for trade shows, exhibitions and events
Financing	Provision of personal and corporate loans, money financing, finance leasing and credit factoring for clients in cultural and entertainment industries
Contracting services and entertainment equipment solution	Providing contracting services and entertainment equipment solution, supplying and installation of equipment and facilities used in cultural and entertainment industries
Brand management and related services	Holding the trademarks and provision of management services
Promotion and consulting services	Organising promotion events for leading alcoholic beverage suppliers; provision of consulting and marketing services to NOD Union members; and ad-hoc consultancy services for the clients in cultural and entertainment industries

Segment revenue and results

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

For the year ended 30 June

	Organisation of exhibitions, events planning and related services		Financing		Contracting services and entertainment equipment solution		Brand management and related services		Promotion and consulting services		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue												
Segment revenue	**35,398**	105,848	**31,698**	1,123	**198,486**	83,264	**62,652**	48,286	**276,769**	37,741	**605,003**	276,262
Inter-segment revenue	**(1,124)**	–	**–**	–	**–**	–	**(27,759)**	(22,211)	**–**	–	**(28,883)**	(22,211)
Revenue from external customers	**34,274**	105,848	**31,698**	1,123	**198,486**	83,264	**34,893**	26,075	**276,769**	37,741	**576,120**	254,051
Results												
Segment results	**15,735**	40,979	**27,963**	724	**60,383**	16,914	**32,337**	17,249	**229,256**	21,381	**365,674**	97,247
Net loss on financial assets at FVTPL											**(30,009)**	(23,974)
Net (loss)/gain on change in fair value of contingent consideration payables											**(23,255)**	43,433
Unallocated income and other gains and losses											**693**	27,580
Unallocated administrative expenses											**(94,608)**	(30,909)
Finance costs											**(22,665)**	(237)
Profit before tax											**195,830**	113,140
Taxation											**(88,514)**	(22,435)
Profit for the year											**107,316**	90,705

Segment assets and liabilities

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

At 30 June

	Organisation of exhibitions, events planning and related services		Financing		Contracting services and entertainment equipment solution		Brand management and related services		Promotion and consulting services		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets												
Segment assets	**114,659**	83,671	**449,670**	17,688	**134,789**	112,387	**72,705**	95,729	**301,234**	291,389	**1,073,057**	600,864
Unallocated corporate assets											**101,099**	42,187
											1,174,156	643,051
Liabilities												
Segment liabilities	**28,666**	14,183	**6,021**	140	**29,271**	15,550	**23,355**	4,968	**30,371**	30,916	**117,684**	65,757
Unallocated corporate liabilities											**511,990**	187,426
											629,674	253,183

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than corporate assets; and
- all liabilities are allocated to reportable segments other than corporate liabilities.

Other segment information

	Organisation of exhibitions, events planning and related services		Financing		Contracting services and entertainment equipment solution		Brand management and related services		Promotion and consulting services		Unallocated		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Depreciation of property, plant and equipment	**(56)**	(99)	**(3)**	–	**(13)**	(3)	**(34)**	(38)	**(1,625)**	(331)	**(1,426)**	(2,854)	**(3,157)**	(3,325)
Capital expenditures	**(54)**	(36)	**(18)**	–	**(22)**	(22)	**–**	(1,684)	**(1,609)**	–	**(263)**	(48)	**(1,966)**	(1,790)
Net (loss)/gain on financial assets at FVTPL	**1,126**	(3,500)	**–**	–	**–**	–	**(330)**	(5,894)	**(16,415)**	(15,366)	**(14,390)**	786	**(30,009)**	(23,974)
Amortisation of intangible assets	**–**	–	**–**	–	**–**	–	**(7,314)**	(7,388)	**–**	–	**–**	–	**(7,314)**	(7,388)

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

Geographical segments

In determining the Group's geographical segments, revenue are attributed to the segments based on the location of the services provided, and assets are attributed to the segments based on the location of assets.

The Group's operations are located in Hong Kong and the PRC.

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

	Revenue from external customers		Non-current assets	
	Year ended		As at	
	30/06/2019	30/6/2018	**30/06/2019**	30/06/2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**4,207**	27,910	**19,840**	43,721
The PRC	**571,913**	226,141	**347,629**	277,455
	576,120	254,051	**367,469**	321,176

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

Information about major customers

None of the customers of the Group for 2019 (2018: one) has transactions which, in aggregate, exceeded 10% of the Group's revenue for the year ended 2019 (2018: approximately HK$33,998,000).

5. REVENUE

Disaggregation of revenue from contracts with customers

	For the year ended 30 June 2019			
	Organisation of exhibitions, events planning and related services *HK$'000*	Contracting services and entertainment equipment solution *HK$'000*	Brand management and related services *HK$'000*	Promotion and consulting services *HK$'000*
Geographical markets				
The PRC	**34,274**	**198,486**	**34,893**	**276,769**
Hong Kong	**–**	**–**	**–**	**–**
Total	**34,274**	**198,486**	**34,893**	**276,769**
Timing of revenue recognition				
At point in time	**34,274**	**198,486**	**–**	**114,098**
Over time	**–**	**–**	**34,893**	**162,671**
Total	**34,274**	**198,486**	**34,893**	**276,769**

Set out below is the reconciliation of the revenue with the amounts disclosed in the segment information.

	2019 *HK$'000*	2018 *HK$'000*
Organisation of exhibitions, events planning and related services	**34,274**	105,848
Contracting services and entertainment equipment solution	**198,486**	83,264
Brand management and related services	**34,893**	26,075
Promotion and consulting services	**276,769**	37,741
Revenue from contracts with customers	**544,422**	252,928
Financing income	**31,698**	1,123
Total revenue	**576,120**	254,051

6. PROFIT BEFORE TAX

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

	2019	2018
	HK$'000	*HK$'000*
Staff costs:		
Employee benefit expenses (including Directors' emoluments)		
– Salaries, allowance and other benefits	**17,540**	11,882
– Retirement benefit scheme contributions	**2,874**	1,108
– Equity-settled share-based payment expenses	**57,404**	6,202
	77,818	19,192
Other items:		
Depreciation of property, plant and equipment	**3,157**	3,325
Amortisation of intangible assets	**7,314**	7,388
Auditor's remuneration		
– Audit services	**2,800**	1,600
– Non-audit services	**300**	866
Net loss/(gain) on change in fair value of contingent consideration payables *(Note 16)*	**23,255**	(43,433)
Cost of inventories recognised in cost of sales	**135,378**	66,563
Operating lease rentals in respect of land and building	**14,991**	8,012
Net loss on financial assets at FVTPL:		
Proceeds on sales	**–**	(30,068)
Cost of sales	**–**	29,282
Net realised gain on financial assets at FVTPL	**–**	(786)
Loss on fair value change of early redemption right	**14,390**	–
Net loss on fair value change of profit guarantee *(Note 13)*	**15,619**	24,760
Net loss on financial assets at FVTPL	**30,009**	23,974
Other gains and losses:		
Dividend income	**–**	(160)
Interest income	**(738)**	(1,886)
Exchange gains, net	**(531)**	(1,065)
Reversal of impairment loss on other receivable	**–**	(11,500)
Wavier of amount due from an associate	**21**	–
Gain on disposal of property, plant and equipment	**–**	(10)
Gain on disposal of intangible asset	**(15)**	–
Write off of property, plant and equipment	**19**	13
Net gain on disposal of subsidiaries	**–**	(14,180)
Loss on deregistration of a subsidiary	**–**	169
	(1,244)	(28,619)

7. TAXATION

	2019	2018
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong Profits Tax	**1,220**	1,206
– PRC Enterprise Income Tax	**82,798**	20,741
	84,018	21,947
Overprovision in prior years:		
– Hong Kong Profits Tax	**(97)**	(79)
– PRC Enterprise Income Tax	**(5)**	–
	(102)	(79)
Deferred tax:		
– Current year	**4,598**	567
Total	**88,514**	22,435

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Group in the PRC is 25% for the years ended 30 June 2019 and 2018.

Pursuant to the EIT Law and its implementation rules, royalty receivable by non-PRC corporate residents from the PRC enterprises are subject to withholding tax at a rate 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008.

No provision for the US federal income tax and branch profits tax has been made as the US-incorporated subsidiary did not have any assessable profits in the US for the year ended 30 June 2018.

8. DIVIDEND

The Board proposed a final dividend of HK5.0 cents (2018: HK1.0 cent) per ordinary share for the year ended 30 June 2019. This proposed final dividend is not reflected as a dividend payable as of 30 June 2019, but will be recorded as a distribution of retained earnings for the year ending 30 June 2020.

9. EARNINGS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company	**107,514**	90,706

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,455,630,000**	1,397,250,000
Effect of dilutive potential ordinary shares:		
Share options	**37,583,000**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,493,213,000**	1,397,250,000

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

For the year ended 2018, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise prices of the share options were higher than the average market price of shares, nor the conversion of the convertible bonds since their conversion would result in an increase in earnings per share. The basic and diluted earnings per share were same for the year ended 30 June 2018.

10. GOODWILL

	2019	2018
	HK$'000	*HK$'000*
Cost and carrying amounts		
At the beginning of the year	**290,982**	35,998
Arising from acquisition of subsidiaries *(Note 20)*	**41,435**	254,984
At the end of the year	**332,417**	290,982

Goodwill acquired in business combinations is allocated to four individual CGUs that is expected to benefit from that business combinations. The carrying amounts of goodwill are allocated according to the business segments as follows:

	2019	2018
	HK$'000	*HK$'000*
Organisation of exhibitions, events planning and related services ("**CGU I**")	**76,999**	35,998
Brand management and related services ("**CGU II**")	**46,004**	46,004
Promotion and consulting services ("**CGU III**")	**208,180**	208,180
Financing ("**CGU IV**")	**1,234**	800
	332,417	290,982

The Group tests goodwill impairment annually or more frequently if there are indications that goodwill might be impaired. During the year ended 30 June 2019, the Group determined that no impairment loss has been identified (2018: Nil).

The recoverable amount of CGU I, II, III and IV have been determined based on value-in-use calculation by independent valuers. The calculation used cash flow projections based on the financial forecasts approved by the Directors covering a three-year period. The discount rates applied to the cash flow projections are 14.34%–17.10% (2018: 15.46%–17.84%). The annual growth rate used to extrapolate the cash flows beyond the three-year period is 3.00% (2018: 3.00%).

Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The terminal growth rate used is with reference to the long term average growth rates and expected market development. Management believes that any reasonably possible change in key assumptions would not cause the recoverable amount of the CGUs to fall below their carrying amount.

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

11. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**171,327**	109,793

The Group has a policy of allowing trade customers with credit terms of normally within 90 days except for contracting services and entertainment equipment solution which 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 receivable balances. The ageing analysis of trade receivables based on dates when services are rendered/invoice dates is as follows:

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**83,636**	38,644
31–60 days	**26,852**	19,785
61–90 days	**18,222**	24,144
91–180 days	**30,213**	27,220
181–240 days	**12,404**	–
	171,327	109,793

As at 30 June 2019, the credit risk of trade receivables are considered to be low, therefore the impact on ECL is considered as immaterial. The ageing analysis of the trade receivables which are past due but not yet impaired is as follows:

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**14,315**	356
31–60 days	**4,614**	23
61–90 days	**4,717**	107
91–180 days	**872**	–
	24,518	486

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Current assets		
Prepayments	**4,288**	845
Payment in advance	**31,094**	10,550
Deposits	**3,972**	2,518
Other receivables	**12,921**	1,041
	52,275	14,954
Non-current assets		
Prepayment	**14,381**	–
Rental deposits	**1,681**	1,703
	16,062	1,703
Total	**68,337**	16,657

As at 30 June 2019, the credit risk of other receivables are considered to be low, therefore the impact on ECL is considered as immaterial.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	HK$'000	*HK$'000*
Early redemption right from corporate bond	**16,230**	–
Unlisted investment fund	**30,000**	–
Profit guarantee:		
– Sparkle Mass Group	**1,345**	40
– Fortune Selection Group	**–**	330
– Cheer Sino Group	**–**	16,415
– Shanghai Mijia Hemao	**9,289**	–
	56,864	16,785
Analysed for reporting purposes as:		
Current assets	**48,887**	3,355
Non-current assets	**7,977**	13,430
	56,864	16,785

Details of profit guarantee are as follows:

Profit guarantee	**Sparkle Mass Group**	**Fortune Selection Group**	**Cheer Sino Group**	**Shanghai Mijia Hemao**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2017	3,540	–	–	–	3,540
Arising from acquisition of subsidiaries	–	6,224	31,781	–	38,005
Loss on change in fair value	(3,500)	(5,894)	(15,366)	–	(24,760)
At 30 June 2018 and 1 July 2018	40	330	16,415	–	16,785
Arising from acquisition of subsidiaries *(Note 20)*	–	–	–	9,468	9,468
Gain/(loss) on change in fair value *(Note 6)*	1,305	(330)	(16,415)	(179)	(15,619)
At 30 June 2019	**1,345**	**–**	**–**	**9,289**	**10,634**

During the year ended 30 June 2017, the Group acquired 100% equity interest in Sparkle Mass Limited and its subsidiaries (the "**Sparkle Mass Group**").

During the year ended 30 June 2018, the Group acquired 100% equity interest in Fortune Selection Limited and its subsidiaries (the "**Fortune Selection Group**") and Cheer Sino Investment Holdings Limited and its subsidiaries (the "**Cheer Sino Group**").

During the year ended 30 June 2019, the Group acquired 51% equity interest in 上海米伽合貿展覽有限公司 (transliterated as "Shanghai Mijia Hemao Expo Co., Ltd") ("**Shanghai Mijia Hemao**") (formerly known as "上海伽貿展覽有限公司") (transliterated as "Shanghai Jiamao Expo Co., Ltd"), details of which are set out in Note 20.

Pursuant to the acquisition agreements, the vendors warranted and guaranteed ("**Profit Guarantee**") to the Group that the net profit for the relevant periods ("**Relevant Periods**") will not be less than the following amounts ("**Guaranteed Profits**"):

Relevant Periods	**Sparkle Mass Group** *HK$'000*	**Fortune Selection Group** *HK$'000*
First Relevant Period (1 January 2017 to 31 December 2017)	13,000	10,000
Second Relevant Period (1 January 2018 to 31 December 2018)	14,000	11,000
Third Relevant Period (1 January 2019 to 31 December 2019)	15,000	12,000

Relevant Periods	**Cheer Sino Group** *HK$'000*
For the year ended 31 December 2018	27,000
For the two years ending 31 December 2019	73,000
For the three years ending 31 December 2020	133,000

Relevant Periods	**Shanghai Mijia Hemao** *RMB'000*
First Relevant Period (1 January 2019 to 31 December 2019)	9,287
Second Relevant Period (1 January 2020 to 31 December 2020)	11,909
Third Relevant Period (1 January 2021 to 31 December 2021)	13,161

As at 30 June 2019, the aggregate fair value of these Profit Guarantee was approximately HK$10,634,000 (2018: approximately HK$16,785,000), with a loss on change in fair value of approximately HK$15,619,000 (2018: approximately HK$24,760,000).

The fair value of these Profit Guarantee was determined by the Directors with reference to the valuations carried out by an independent valuer at the completion date of acquisition and at year-end dates on 30 June 2019 and 30 June 2018 respectively.

The fair value of unlisted investment fund was determined by the Directors with reference to the fund statement which was provided by the fund manager.

14. TRADE PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**26,445**	9,604

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

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**23,952**	9,604
31–60 days	**1,933**	–
61–90 days	**560**	–
	26,445	9,604

The average credit period ranged from 0–30 days.

15. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Accruals	**4,723**	9,792
Deposits received	**6,733**	1,955
Other payables	**21,673**	8,663
Deferred revenue	**–**	23,499
	33,129	43,909

16. CONTINGENT CONSIDERATION PAYABLES

	Fortune Selection Group HK$'000 (Note a)	Cheer Sino Group HK$'000 (Note b)	Shanghai Mijia Hemao HK$'000 (Note c)	Total HK$'000
At 1 July 2017	–	–	–	–
Arising from acquisition of subsidiaries, at fair value	40,974	198,538	–	239,512
Reclassified to convertible bonds and convertible bonds reserve *(Note 18)*				
– liabilities portion	(6,186)	–	–	(6,186)
– equity portion	(7,472)	–	–	(7,472)
Loss/(gain) on change in fair value *(Note 6)*	3,126	(46,559)	–	(43,433)
At 30 June 2018 and 1 July 2018	30,442	151,979	–	182,421
Arising from acquisition of subsidiary, at fair value	–	–	10,643	10,643
Reclassified to convertible bonds and convertible bonds reserve *(Note 18)*				
– liabilities portion	(6,616)	(23,010)	–	(29,626)
– equity portion	(8,605)	(7,747)	–	(16,352)
Loss/(gain) on change in fair value *(Note 6)*	2,595	20,713	(53)	23,255
At 30 June 2019	**17,816**	**141,935**	**10,590**	**170,341**

Analysed for reporting purposes as:

	2019 ***HK$'000***	2018 *HK$'000*
Current liabilities	**83,061**	45,979
Non-current liabilities	**87,280**	136,442
Total	**170,341**	182,421

Notes:

(a) The initial consideration is principal amount of HK$48,024,000 in total (subject to adjustments) of convertible bonds in accordance with the sale and purchase agreement for the acquisition of Fortune Selection Group. The consideration is valued at a fair value of approximately HK$81,430,000 at the completion date of the acquisition.

The first convertible bond ("**CB I**") with principal amount of HK$24,012,000 was issued to vendor at completion date of acquisition and the second convertible bond ("**CB II**") and the third convertible bond ("**CB III**") with principal amount of HK$8,004,000 each was issued to vendor as Guaranteed Profits for the First Relevant Period and the Second Relevant Period have been met, details of the convertible bonds are set out in Note 18. The fourth convertible bond ("**CB IV**"), with principal amount of HK$8,004,000, will be issued upon fulfilment of the agreed Guaranteed Profits in the Third Relevant Period respectively.

(b) The initial considerations are HK$100,000,000 in cash upon completion and principal amount of HK$168,000,000 (subject to adjustments) of convertible notes in accordance with the sale and purchase agreement for the acquisition of Cheer Sino Group. The consideration is valued at a fair value of approximately HK$298,538,000 at the completion date of the acquisition.

The first convertible note ("**CN I**") with principal amount of HK$34,000,000 was issued to vendor as Guaranteed Profits for the year ended 31 December 2018 has been met, details of the convertible note are set out in Note 18. The remaining convertible notes, including the second convertible note ("**CN II**") and the third convertible note ("**CN III**"), with principal amount of HK$58,000,000 and HK$76,000,000 respectively, will be issued upon fulfillment of the agreed Guaranteed Profits for the two years ending 31 December 2019 and three years ending 31 December 2020 respectively.

(c) The initial considerations are approximately RMB34,236,000, equivalent to approximately HK$38,576,000 in cash upon completion and principal amount of approximately RMB11,412,000 (subject to adjustments), equivalent to approximately HK$12,858,000, the three deferred payments in accordance with the sales and purchase agreement for the acquisition of Shanghai Mijia Hemao. The consideration is valued at a fair value of approximately HK$50,847,000 at the completion date of the acquisition.

Pursuant to the sales and purchase agreements, the vendors guaranteed to the Group the audited net profit after tax of Shanghai Mijia Hemao for three relevant periods. If the net profit for a relevant period is less than the guaranteed profit for the relevant period or there is a net loss in the relevant period, the Group is entitled to deduct from the three deferred payments with principal amount of approximately RMB3,652,000, RMB3,652,000 and RMB4,108,000 respectively, an amount equal to the adjustment as defined in the sales and purchase agreement, details of the acquisition is set out in Note 20.

The fair value of the contingent consideration payables were determined by the Directors with reference to the valuations at the respective completion dates carried out by an independent valuer.

17. CORPORATE BONDS

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

	Unlisted bond ("Bond I") HK$'000	Unlisted bond ("Bond II") HK$'000	Unlisted bond ("Bond III") HK$'000	Unlisted bond ("Bond IV") HK$'000	Unlisted bond ("Bond V") HK$'000	Total HK$'000
At 1 July 2017	–	–	–	–	–	–
Principal value of the corporate bonds on initial recognition	3,000	–	–	–	–	3,000
Direct transaction costs	(420)	–	–	–	–	(420)
	2,580	–	–	–	–	2,580
Effective interest expenses	14	–	–	–	–	14
At 30 June 2018 and 1 July 2018	2,594	–	–	–	–	2,594
Principal value of the corporate bonds on initial recognition	–	1,000	2,000	2,000	–	5,000
Fair value of the corporate bonds on initial recognition	–	–	–	–	330,620	330,620
Direct transaction costs	–	(140)	(210)	(140)	(6,000)	(6,490)
	2,594	860	1,790	1,860	324,620	331,724
Effective interest expenses	277	79	140	120	21,600	22,216
Less: interest paid	(187)	(54)	(107)	(94)	(28,973)	(29,415)
At 30 June 2019	**2,684**	**885**	**1,823**	**1,886**	**317,247**	**324,525**

18. CONVERTIBLE BONDS/CONVERTIBLE NOTE

The carrying amounts of convertible bonds/convertible note recognised at the end of the reporting period were calculated as follows:

	CB I	CB II	CB III	CN I	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Equity component					
At 1 July 2017	–	–	–	–	–
Arising from acquisition of a subsidiary	21,897	–	–	–	21,897
Reclassified from contingent consideration payables *(Note 16)*	–	7,472	–	–	7,472
Conversion of convertible bonds	(21,897)	(7,472)	–	–	(29,369)
At 30 June 2018 and 1 July 2018	–	–	–	–	–
Reclassified from contingent consideration payables *(Note 16)*	–	–	8,605	7,747	16,352
Conversion of convertible bond	–	–	(8,605)	–	(8,605)
At 30 June 2019	–	–	–	7,747	7,747
Liability component					
At 1 July 2017	–	–	–	–	–
Arising from acquisition of a subsidiary	18,559	–	–	–	18,559
Reclassified from contingent consideration payables *(Note 16)*	–	6,186	–	–	6,186
Effective interest expenses	70	150	–	–	220
Conversion of convertible bonds	(18,629)	(6,336)	–	–	(24,965)
At 30 June 2018 and 1 July 2018	–	–	–	–	–
Reclassified from contingent consideration payables *(Note 16)*	–	–	6,616	23,010	29,626
Effective interest expenses	–	–	114	335	449
Conversion of convertible bond	–	–	(6,730)	–	(6,730)
At 30 June 2019	–	–	–	23,345	23,345

19. SHARE CAPITAL

	Par value	Number of ordinary shares	Nominal value of ordinary shares
	HK$		*HK$'000*
Authorised:			
At 1 July 2017, 30 June 2018, 1 July 2018 and 30 June 2019	**0.002**	**5,000,000,000**	**10,000**
Issued and fully paid:			
At 1 July 2017	0.002	1,350,800,000	2,702
Conversion of convertible bonds *(Note a)*	0.002	34,800,000	69
Placing of shares *(Note b)*	0.002	68,600,000	137
At 30 June 2018 and 1 July 2018	0.002	1,454,200,000	2,908
Conversion of convertible bond *(Note c)*	0.002	8,700,000	18
At 30 June 2019	**0.002**	**1,462,900,000**	**2,926**

Notes:

(a) On 27 July 2017, convertible bond with principal amount of HK$24,012,000 were converted into 26,100,000 ordinary shares at a conversion price of HK$0.92 per ordinary share. The shares were allotted and issued to the vendor of Fortune Selection Group.

On 6 June 2018, convertible bond with principal amount of HK$8,004,000 were converted into 8,700,000 ordinary shares at a conversion price of HK$0.92 per ordinary share. The convertible bond was issued to the vendor upon the fulfilment of profit guarantee relating to the acquisition of the entire equity interests of Fortune Selection Group.

(b) On 24 November 2017, the Company and the placing agent entered into a placing agreement, pursuant to which the placing agent agreed to procure not less than six placees to purchase up to 68,600,000 shares at placing price of HK$1.5 per share (the "**Placing**"). The Placing was approved by the shareholders at the extraordinary general meeting of the Company held on 19 January 2018 and a total of 68,600,000 ordinary shares were issued under the specific mandate on 8 March 2018. The premium on the issue of shares, amounting to approximately HK$100,190,000, net of share issue expenses, was credited to the Company's share premium account.

(c) On 2 May 2019, convertible bond with principal amount of HK$8,004,000 were converted into 8,700,000 ordinary shares at a conversion price of HK$0.92 per ordinary share. The convertible bond was issued to the vendor upon the fulfilment of profit guarantee relating to the acquisition of the entire equity interests of Fortune Selection Group.

20. ACQUISITION OF SUBSIDIARIES

I. Acquisition of CIS Industrial Co., Limited and its subsidiary ("CIS Industrial Group")

On 25 June 2018, an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with a vendor, an independent third party, for the acquisition of 100% equity interest of CIS Industrial Group, at a cash consideration of HK$330,000. The acquisition was completed on 5 July 2018. The amount of goodwill arising as a result of the acquisition was approximately HK$334,000.

CIS Industrial Group is conducting finance leasing business in the PRC.

II. Acquisition of Hananhal Investment Holding Co., Limited and its subsidiary ("Hananhal Group")

On 1 November 2018, a direct wholly-owned subsidiary of the Company entered into a sale and purchase agreement with a vendor, an independent third party, for the acquisition of 100% equity interest of Hananhal Group, at a cash consideration of HK$100,000. The acquisition was completed on 5 November 2018. The amount of goodwill arising as a result of the acquisition was approximately HK$100,000.

Hananhal Group is conducting credit factoring business in the PRC.

III. Acquisition of Shanghai Mijia Hemao

On 30 November 2018, an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with the vendors, who were independent third parties, for the acquisition of 51% equity interest of Shanghai Mijia Hemao, at a cash consideration of approximately RMB45,648,000, equivalent to approximately HK$51,434,000.

The consideration for the acquisition is satisfied by the following:

	HK$'000
Initial consideration	38,576
Contingent consideration	12,858
Total purchase consideration	51,434

Included in the acquisition of Shanghai Mijia Hemao, there was a profit guarantee pursuant to which the vendors guaranteed to the Group the audited net profit after tax of Shanghai Mijia Hemao for the relevant periods. If the net profit for relevant periods is less than the guaranteed profit for the relevant periods or there is a net loss in the relevant periods, the Group is entitled to deduct from contingent consideration an amount equal to the adjustment as defined in the sale and purchase agreement.

The fair value of the contingent consideration payables and profit guarantee were approximately HK$10,643,000 and HK$9,468,000 respectively at the completion date of acquisition. The amount of goodwill arising as a result of the acquisition was approximately HK$41,001,000.

Shanghai Mijia Hemao is principally engaged in organisation of exhibition and event planning and related services.

Non-controlling interests

The non-controlling interest (49%) in Shanghai Mijia Hemao recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Shanghai Mijia Hemao and amounted to HK$364,000.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	CIS Industrial Group *HK$'000*	**Hananhal Group** *HK$'000*	**Shanghai Mijia Hemao** *HK$'000*	**Total** *HK$'000*
Non-current asset				
Property, plant and equipment	–	–	171	171
	–	–	171	171
Current asset				
Cash and cash equivalents	–	–	1,174	1,174
	–	–	1,174	1,174
Total assets	–	–	1,345	1,345
Current liability				
Other payables	(4)	–	(603)	(607)
Total liability	(4)	–	(603)	(607)
Net (liabilities recognised)/assets acquired	(4)	–	742	738

Goodwill arising on acquisition

	CIS Industrial Group *HK$'000*	Hananhal Group *HK$'000*	Shanghai Mijia Hemao *HK$'000*	Total *HK$'000*
Consideration paid and payable:				
– Cash paid during the period	330	100	40,204	40,634
– Contingent consideration payables	–	–	10,643	10,643
Total consideration paid and payable	330	100	50,847	51,277
Add: Non-controlling interests	–	–	364	364
Less: Fair value of profit guarantee at acquisition date *(Note 13)*	–	–	(9,468)	(9,468)
Add/(less): Net liabilities recognised/ assets acquired	4	–	(742)	(738)
Goodwill arising on acquisition of subsidiaries *(Note 10)*	334	100	41,001	41,435

None of the goodwill arising on acquisition of subsidiaries is expected to be deductible for tax purpose.

Goodwill arose in the acquisitions of CIS Industrial Group, Hananhal Group and Shanghai Mijia Hemao because the cost of the acquisition included a control premium. In addition, the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash outflow/(inflow) arising on acquisitions

	CIS Industrial Group *HK$'000*	Hananhal Group *HK$'000*	Shanghai Mijia Hemao *HK$'000*	Total *HK$'000*
Consideration paid in cash	330	100	–	430
Less: cash and cash equivalents balances acquired	–	–	(1,174)	(1,174)
Net cash outflow/(inflow) in respect of the acquisition of subsidiaries	330	100	(1,174)	(744)

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The following is an extract from audited financial report of the Company prepared by HLM CPA LIMITED ("**HLM**"), the auditor of the Company, for the year ended 30 June 2019.

QUALIFIED OPINION

We have audited the consolidated financial statements of NOVA Group Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**"), which comprise the consolidated statement of financial position as at 30 June 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

1. Acquisition of a subsidiary

The Group acquired 51% equity interests in Shanghai Mijia Hemao Expo Co., Ltd. (literal translation of the Chinese name of上海米伽合貿展覽有限公司) (formerly known as Shanghai Jiamao Expo Co., Ltd. (literal translation of the Chinese name of "上海伽貿展覽有限公司")) ("**Shanghai Mijia Hemao**") during the year ended 30 June 2019.

Pursuant to the terms in the sales and purchase agreement (the "**SPA**") for the acquisition of Shanghai Mijia Hemao, it came to our attention that the 5-year exhibition holding right agreement and year 2019 exhibition sales contracts would be transferred to the Group. We were unable to obtain sufficient documentations to review whether these agreement/contracts would be recognised as any identifiable assets including intangible assets at the completion date of the acquisition and as at 30 June 2019.

The Group recorded goodwill, financial assets at fair value through profit or loss — profit guarantee and contingent consideration payable of approximately HK$41,001,000, HK$9,289,000 and HK$10,590,000 respectively as at 30 June 2019.

In the preparation of the consolidated financial statements, management of the Group has performed an impairment assessment on the cash generating unit ("**CGU**") to which the goodwill belongs and prepared the forecast of Shanghai Mijia Hemao's performance to evaluate the fair value of profit guarantee and contingent consideration payable. However, we were not provided with sufficient appropriate audit evidence relating to the accuracy and relevance of the data used in estimating the recoverable amount of the CGU and the forecast of Shanghai Mijia Hemao's performance.

Due to the limitations on our scope of work, we were unable to determine i) whether the recoverable amount of the CGU was appropriately estimated and whether recognition of impairment losses is necessary on the assets included in the CGU including the goodwill as at 30 June 2019; and ii) whether the intangible assets, financial assets at fair value through profit or loss — profit guarantee and contingent consideration payable were appropriately stated as at the date of completion and as at 30 June 2019.

Any impairment loss recognition found to be necessary would reduce the carrying amount of goodwill, and may also impact the carrying amounts of other assets in the CGU including the intangible assets, if any, and the corresponding deferred tax liabilities as at 30 June 2019. Any possible adjustments to intangible assets, financial assets at fair value through profit or loss — profit guarantee and contingent consideration payable found to be necessary would have an effect on the fair value of the purchase consideration for Shanghai Mijia Hemao and as at 30 June 2019. The net assets of the Group as at 30 June 2019 and the net profit of the Group for the year ended 30 June 2019 would also be affected.

2. Investment in an unlisted private fund

During the year ended 30 June 2019, the Group has signed a subscription agreement to invest in Class B share interest in an unlisted private fund for a consideration of HK$30,000,000 (the "**Private Fund**").

The directors of the Company performed a valuation assessment on the Private Fund as at 30 June 2019 with reference to the fund statement provided by the fund manager, which the value of Class B shareholding is approximately HK$30,985,000 and source data provided by the management of the investees. The directors of the Company considered the fair value of the Group's investment in the Private Fund as at 30 June 2019 amounted to HK$30,000,000.

We were unable to obtain sufficient appropriate audit evidence to establish the reasonableness of the basis and assumptions, and whether the source data was complete and accurate in carrying out the valuation of the Private Fund. Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the Group's net assets as at 30 June 2019 and the consolidated statement of profit or loss and other comprehensive income for the year then ended and the related note disclosures to the consolidated financial statements.

3. Factoring business and possible relationship with a customer

During the year ended 30 June 2019, the Group had commenced credit factoring business and granted factoring loans to Customer A of approximately RMB234,500,000, equivalent to approximately HK$270,760,000 in aggregate, which represented approximately 67.0% of the Group's total loan amount granted under the credit factoring business segment during the year. These loans to Customer A generated interest income of approximately RMB7,128,000, equivalent to approximately HK$8,190,000 and management fee income of approximately RMB1,661,000, equivalent to approximately HK$1,908,000 for the year ended 30 June 2019, which represented approximately 31.9% of the Group's total financing income. Both amounts were included in "Revenue — Financing income" in the consolidated statement of profit or loss and other comprehensive income. As at 30 June 2019, the Group had an outstanding factoring receivable balance from Customer A of approximately RMB162,998,000, equivalent to approximately HK$185,271,000, which represented approximately 60.2% of the Group's total factoring receivables. The amount was included in "Factoring receivables" in the consolidated statement of financial position.

The percentage of the outstanding balance of Customer A against total factoring receivables and total assets of the Group amounted to approximately 60.2% and 15.7% respectively. We had not been provided with sufficient information and documentations on the background of Customer A regarding the credit risk assessments and bases and supporting documentation for the results of the credit reviews on Customer A.

Management had represented that the Customer A was an independent third party of the Group. During the course of our audit, it came to our attention that Individual A, who is the legal representative, one of the shareholders and directors of Customer A, was the former legal representative of Nod (Shanghai) Management Communication Co., Ltd. (literal translation of the Chinese name of 諾笛（上海）企業管理諮詢有限公司) from December 2014 to May 2016, an indirect wholly-owned subsidiary which the Group completed the acquisition in March 2018.

We were unable to obtain satisfactory explanations and adequate evidence to ascertain (i) the reasonableness of concentrated loan granted to Customer A and the internal evaluation and risk assessment of granting factoring loan to Customer A; and (ii) the relationship, if any, between the Group and Individual A, and between the Group and Customer A, accordingly. Consequently, we were unable to determine whether these parties were related parties and whether adequate disclosures of the related party balances and transactions have been provided in the consolidated financial statements for the year ended 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

For the year ended 30 June 2019 (the "**Reporting Year**" or "**2019**"), the Group achieved better overall operation performance across key areas of business segments. During the Reporting Year, the Group achieved approximately HK$576.12 million in revenue, representing an increase of approximately 126.77% as compared with that of approximately HK$254.05 million in the year ended 30 June 2018 (the "**Previous Year**" or "**2018**"). Operating profit is the profit from operating activities which includes the net loss on financial assets at fair value through profit or loss and net loss on change in fair value of contingent consideration payables. Operating profit for the Reporting Year was approximately HK$218.50 million, representing an increase of approximately 92.71% as compared with that of approximately HK$113.38 million in the Previous Year as cultural and entertainment stores customers and members continued to respond enthusiastically to the array of comprehensive entertainment services and products offered by the Group.

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

	For the year ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Revenue	**576,120**	254,051
Operating profit	**218,495**	113,377
Operating profit margin *(%)*	**37.93%**	44.63%
Profit for the year	**107,316**	90,705
Adjusted EBITDA	**339,634**	110,833

Revenue

The revenue has increased by approximately HK$322.07 million, or approximately 126.77%, from approximately HK$254.05 million for the Previous Year to approximately HK$576.12 million for the Reporting Year. The improvement was primarily due to the combined effect of: (i) the increased revenue in the promotion and consulting segment accounting for approximately HK$239.03 million (2018: approximately HK$37.74 million); and (ii) the increased revenue in the contracting services and entertainment equipment solution segment accounting for approximately HK$115.22 million driven by the strong growth in both sales volume of contracting services and entertainment equipment solution (2018: approximately HK$83.26 million).

Cost of sales

The Group's cost of sales has increased by approximately HK$55.02 million, or approximately 39.93%, from approximately HK$137.79 million for the Previous Year to approximately HK$192.81 million for the Reporting Year. The increase was mainly due to an increase from promotion cost and entertainment equipment cost, which are in line with the growth of revenue during the Reporting Year.

Gross profit and gross profit margin

The Group's gross profit has increased by approximately HK$267.05 million, or approximately 229.70%, from approximately HK$116.26 million for the Previous Year to approximately HK$383.31 million for the Reporting Year. The Group's gross profit margin increased from approximately 45.76% for the Previous Year to approximately 66.53% for the Reporting Year. The increase was mainly due to the strong growth of revenue in promotion and consulting segment, and contracting services and entertainment equipment solution segment.

Selling expenses

The Group's selling expenses increased by approximately HK$6.50 million from approximately HK$12.57 million for the Previous Year to approximately HK$19.07 million for the Reporting Year. Such increase was in line with the growth of revenue during the Reporting Year.

Administrative expenses

The Group's administrative expenses increased by approximately HK$70.09 million from approximately HK$40.21 million for the Previous Year to approximately HK$110.30 million for the Reporting Year. Such increase was primarily due to the equity-settled share-based payment expenses of approximately HK$57.40 million, as well as the expansion of the Group's administration departments, including the management, human resources and finance teams.

Operating profit and operating profit margin

As a result of the foregoing, the Group's operating profit has increased by approximately HK$105.12 million, or approximately 92.71%, from approximately HK$113.38 million for the Previous Year to approximately HK$218.50 million for the Reporting Year. The Group's operating profit margin has decreased from approximately 44.63% for the Previous Year to approximately 37.93% for the Reporting Year is mainly due to the increase in loss on change in fair value of contingent consideration payables and equity-settled share-based payment.

Loss on change in fair value of contingent consideration payables

The Group's loss on change in fair value of contingent consideration payables has increased significantly to approximately HK$23.26 million or approximately 153.56% for the Reporting Year (2018: gain of approximately HK$43.43 million), primarily due to the significant change in fair value of contingent consideration payables as a result of HK$168 million to be settled by convertible notes ("**CN**") in the major acquisition of Cheer Sino Investment Holding Limited and its subsidiaries (the "**Cheer Sino Group**"). Details of such acquisition were set out in the announcement of the Company dated 8 March 2018. The losses arising on fair value changes in contingent consideration payable were unrealised losses and have no impact on the cash flow of the Group.

Profit attributable to owners of the Company

The Group's profit attributable to owners of the Company increased by approximately HK$16.80 million, or approximately 18.52%, from the profit of approximately HK$90.71 million for the Previous Year to approximately HK$107.51 million for the Reporting Year, which was due to the combined effect of: (i) the increased revenue in the contracting services and entertainment equipment solution segment; (ii) the increased revenue in the promotion and consulting services segment; and (iii) the increased revenue in the interest income from finance leasing business.

Non-HKFRS measure

To supplement the result in this announcement which is presented in accordance with HKFRS, adjusted EBITDA, adjusted net profit and adjusted net asset value ("**Adjusted NAV**") are used as additional financial measures. The Group also believes that these non-HKFRS measures provide useful information to investors and others to understand and evaluate the Group's consolidated results for the purpose of comparing financial results across accounting periods and to those of our peer companies.

The following table sets forth the Group's non-HKFRS financial data for the years presented:

	For the year ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Profit for the year	**107,316**	90,705
Finance costs	**22,665**	237
Taxation	**88,514**	22,435
Depreciation	**3,157**	3,325
Amortisation	**7,314**	7,388
EBITDA	**228,966**	124,090
Loss on financial assets at fair value through profit or loss	**30,009**	23,974
Loss/(gain) on change in fair value of contingent consideration payables	**23,255**	(43,433)
Equity-settled share-based payment expenses	**57,404**	6,202
Adjusted EBITDA	**339,634**	110,833

Adjusted EBITDA represents net income before interest, income taxes, depreciation and amortisation, equity-settled share-based payment expenses, impact on financial assets at fair value through profit or loss and change in fair value of contingent consideration payables.

The Group's adjusted EBITDA has increased by approximately HK$228.80 million, or approximately 206.44% from approximately HK$110.83 million for the Previous Year to approximately HK$339.63 million for the Reporting Year.

Adjusted net profit

Adjusted net profit represents net profit after tax excluded loss on financial assets at fair value through profit or loss, equity-settled share-based payment expenses and loss/gain on change in fair value of contingent consideration payables. The following table sets forth the Group's non-HKFRS financial data for the Reporting Year presented:

	For the year ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Profit for the year	**107,316**	90,705
Equity-settled share-based payment expenses	**57,404**	6,202
Loss on financial assets at fair value through profit or loss	**30,009**	23,974
Loss/(gain) on change in fair value of contingent consideration payables	**23,255**	(43,433)
	217,984	77,448

Adjusted NAV

Adjusted NAV represents net asset value excluded the impact of loss/gain on change in fair value of contingent consideration payables. The following table sets forth the Group's non-HKFRS financial data for the Reporting Year presented:

	As at 30 June	
	2019	2018
	HK$'000	*HK$'000*
Net assets	**544,482**	389,868
Loss/(gain) on change in fair value of contingent consideration payables	**23,255**	(43,433)
	567,737	346,435

The Group's adjusted NAV has increased by approximately HK$221.30 million, or approximately 63.88% from approximately HK$346.44 million for the Previous Year to approximately HK$567.74 million for the Reporting Year.

BUSINESS SEGMENT REVIEW

Exhibition and exhibition related services

Operation of exhibition business, events planning and related services

Facing the challenges including the increased competition, increased costs and limited market potential in Hong Kong, the Group will be prudent in managing exhibition business operations and evaluating business developing opportunities in Hong Kong. The Group considers to scale down the operations in Hong Kong, while exploring business opportunities outside Hong Kong at the same time to diversify the revenue sources and strengthen the competitive advantages so that the Group can minimise possible exposure to the uncertainties in the Hong Kong market.

The Group considers the prospects of the People's Republic of China (the "**PRC**" or "**China**") exhibition market is promising. To further expand the Group's income source and taking advantage of the favorable market environment in the PRC, the Group has acquired 51% equity interest of an exhibition and exhibition related company in the PRC during the Reporting Year, which has launched an "unmanned self-services stores exhibition", named the 3rd edition of Unattended Retail Exhibition ("**URE**") and the 1st edition of Important Product Tracing Expo from 21 August 2019 to 23 August 2019 in Shanghai Hongqiao National Exhibition Centre. There were more than 280 exhibitors participated in above mentioned exhibitions, which are expected to contribute a turnover of more than RMB10 million to the Group in the next financial year. On the other hand, the Group has delivered a major technology exhibition in Shanghai Hongqiao Trade Centre, namely Japanese Technology and Culture Exhibition from 5 November 2018 to 31 March 2019.

During the Reporting Year, we delivered services in more than 66 exhibition events to our customers in the PRC. The major events we organised like the product launch events, sales promotion events, music awards ceremony and art exhibitions were successful and received general recognition from the market. Looking ahead, the Group will continue to develop its project management team, sharpen its expertise as an event service provider and build its reputation within the industry.

During the Reporting Year, the revenue in the exhibition business, events planning and related services segment accounted for approximately 5.95% (2018: approximately 41.66%) of the Group's total revenue. The profit in this segment was approximately HK$15.74 million (2018: approximately HK$40.98 million).

Looking ahead, the Group will continue to seek new business opportunities and investment in the PRC, as well as further development of newly acquired exhibition services company in the PRC.

Cultural and entertainment comprehensive services platform

Operation of contracting services and entertainment equipment solution

The Group also successfully provided equipment advisory on the spectacle of light art, specialised sound and music, interactive light and sound art installation projects for the players in the cultural and entertainment industries and satisfactory performance was recorded during the Reporting Year.

Perfect stage effect is crucial, which the software materials and its services are needed to achieve a good stage and visual effects, and accordingly, the Group has delivered numerous customised contracting and supply of equipment services for more than 36 customers. During the Reporting Year, the revenue accounted for approximately HK$198.49 million (2018: approximately HK$83.26 million) or approximately 34.45% (2018: approximately 32.77%) of the Group's total revenue. The profit in this segment was approximately HK$60.38 million (2018: approximately HK$16.91 million).

Operation of brand management and related services

During the Reporting Year, the revenue in brand management and related services segment has increased by approximately HK$8.81 million, or approximately 33.78% from approximately HK$26.08 million for the Previous Year to approximately HK$34.89 million for the Reporting Year, as a result of our significantly increased number of licensees to 48 stores from 21 stores for the Previous Year.

The increase in the number of licensees with our bar brand are set out as follows:

	As at 30 June	
	2019	2018
PHEBE	**20 Stores**	16 Stores
Club MT MULTI TRACK	**13 Stores**	4 Stores
DrOscar	**13 Stores**	—
U.CLUB UNBELIVABLE	**2 Stores**	1 Store
Total	**48 Stores**	21 Stores

Operation of promotion and consulting services

During the Reporting Year, the Group has achieved remarkable results from the promotion and consulting services segment and our expansion in the PRC recorded a promising growth. During the Reporting Year, the revenue in the promotion and consulting services segment accounted for approximately HK$276.77 million (2018: approximately HK$37.74 million) or approximately 48.04% (2018: approximately 14.86%) of the Group's total revenue. The profit in this segment was approximately HK$229.26 million (2018: approximately HK$21.38 million).

During the Reporting Year, the Group has completed the planning and execution of more than 100 notable alcoholic promotion events in the PRC for the two top multinational alcoholic beverages suppliers. In addition, the Group successfully delivered the promotion service for a leading mobile charging equipment producer in the PRC. The revenue of promotion services was approximately HK$76.13 million (2018: approximately HK$18.21 million).

In view of numerous notable promotion events operated and the persistent high-quality services delivered by the Group, many bars, clubs, pubs, restaurants and lounges basic members were successfully attracted to convert to high tier diamond members. During the Reporting Year, the Group's total high tier diamond members has increased to 77 members (2018: 66).

Apart from the above, with the synergic advantages of 諾笛聯盟平台(tranliterated as the "**NOD Union Platform**" or the "**NOD Union**"), the Group has achieved remarkable results in the service of systematic business solution, entertainment advisory, event planning and other ad hoc consultancy for more than 100 of clubs, lounges, bars, restaurants and pubs during the Reporting Year, the revenue was approximately HK$152.22 million (2018: approximately HK$6.10 million).

The increase in the number of stores with different business solution services are set out as follows:

	As at 30 June	
	2019	2018
Cultural and entertainment stores	**125 Stores**	37 Stores
Total	**125 Stores**	37 Stores

Financing

Apart from the core money lending business, to further expand our financing services to our customers and enhance the Group's income source, between July and November 2018, the Group has acquired a finance leasing services company and a credit factoring company respectively that conducting leasing and credit factoring business in the PRC. These acquisitions were the strategic step of the Group to introduce a new financing services to our existing customers, especially those customers in investment and renovation of new entertainment stores. The Group believes the finance leasing business and credit factoring business, are in collaboration with the contracting services and entertainment equipment advisory and solution services we deliver, and will help to build a comprehensive services platform to our customers from bars, restaurants, pubs and clubs.

Money Lending

The revenue in money lending has increased by approximately HK$3.09 million or approximately 275.89%, from approximately HK$1.12 million for the Previous Year to approximately HK$4.21 million for the Reporting Year, as a result of 3 loans were lent out to independent third parties with the period ranged from 3 months to 7 months.

Finance Leasing

The revenue in finance lease has increased by approximately HK$14.27 million, or 100% from nil for the Previous Year to approximately HK$14.27 million for the Reporting Year, as a result of a significantly increase in the number of equipment lessees to 57 stores from nil for the Previous Year.

The increase in the number of lessees from various cities in the PRC, including Shanghai, Beijing, Hefei, Yixing, Kunshan, Hangzhou, Nanjing and Suzhou etc. are set out as follows:

	As at 30 June	
	2019	2018
Number of lessees	**57**	—

Credit Factoring

Our credit factoring business is a finance service which allows customers to free up cash which is tied up in unpaid invoices. The finance period given to customers ranges from 6 months to 12 months and the finance service allows business owners to release up to 80% invoice value at an annual interest rate of 15% and above.

The revenue in credit factoring business has increased by approximately HK$13.22 million, or 100% from nil for the Previous Year to approximately HK$13.22 million for the Reporting Year, as a result of the increase of 8 new credit factoring customers during the Reporting Year.

The increase in the number of credit factoring customers with the factoring loan amount from various business sectors are set out as follows:

	For the year ended 30 June			
	Number of customers		Loan Granted	
	2019	2018	**2019**	2018
			HK$'000	*HK$'000*
Wine & liquor trading company	**1**	—	**270,760**	—
Artist agency company	**1**	—	**35,507**	—
Construction and renovation company	**5**	—	**86,536**	—
Grocery company	**1**	—	**10,752**	—
Total	**8**	—	**403,555**	—

During the Reporting Year, the Group has secured several major credit factoring contracts and granted factoring loans to a PRC leading wine & liquor trading customer of approximately HK$270.76 million in aggregate, which represented approximately 67.09% of the Group's total loan amount granted. The customer is one of the leading and sizable wine & liquor trading company with high volume of customers that covering more than 100 cities in China. As at 30 June 2019, these loans to customer generated interest income of approximately HK$8.19 million and management fee income of approximately HK$1.91 million, which represented approximately 31.85% of the Group's total financing income.

ECONOMIC OUTLOOK

The global economic growth has lost some steam since mid-2018, and has been decelerating in 2019 as envisaged. The expected moderation in growth momentum in many of Hong Kong's key trading partners would dampen Hong Kong's exports. Moreover, if the US-China trade tensions are to drag on or deteriorate, the impacts on Hong Kong's external trade would become even more significant. On the political front, recent large-scale protests against a proposed bill allowing extradition to China morphed into a broader pro-democracy uprising, the uncertainty and unrest are poised to hurt the overall business and consumer sentiment.

Hong Kong market

In the first and second quarters of 2019, Hong Kong's economic growth has slowed down to just 0.6% as compared to the seven-year high of 4.61% in the first quarter of 2018. On the flipside, a tight labor market and likely interest rate cuts from the Federal Reserve should support domestic demand, but the downshifts in retail sales and trade growth signal that the economic environment will remain challenging. Overall, Hong Kong's growth outlook remains subdued amid the ongoing trade tensions between China and the US, and the growing social unrest.

The PRC market

The PRC's economy advanced 6.4% year-on-year in the March quarter of 2019, the same pace as in the previous quarter but slightly above market expectations of a 6.3% expansion. Industrial output growth accelerated markedly and consumer demand strengthened amid the government's pro-growth policies, which helped stabilize the sentiments rattled by the trade dispute with the US.

BUSINESS PROSPECTS OF THE GROUP

Exhibition and exhibition related services

Facing the challenges ahead including increased competition, increased costs, growing social unrest and limited exhibition market potential in Hong Kong, the overall exhibition performance is weakened during the Reporting Year. Looking ahead, the Group will continue from time to time to seek new exhibition business partners and investment opportunities to expand the exhibition business in the PRC that could enhance corporate development and strengthen the income base of the Group.

In the future, the Group will continue to diversify our income stream and enhance our earning profile through exploring investment opportunities in the PRC, which help capitalise on any growth opportunities and thereon to enhance our shareholder's value.

Cultural and entertainment comprehensive services platform

With the synergic advantages and customer base of the NOD Union following the Group's completion of the acquisition of Cheer Sino Group in 2018, the Group is able to extend its business operations through the comprehensive services platform, which can be divided into three main categories of "Entertainment Operations Management Solutions and Consulting Services", "Comprehensive Entertainment Supply Chain Services" and "Product Promotion and Marketing Planning Services".

To date, the Group's comprehensive services platform provided following services:

1. **Brand management and related services** — Providing bar brand management and related services under the name of "PHEBE", "MT", "U.CLUB" and "DrOscar";

2. **Promotion and consulting services** — Providing systematic entertainment solution and advisory services, such as entertainment management consulting, event planning, construction and preparation consulting and other ad hoc consultancy services;

3. **Contracting services and entertainment equipment solution** — Providing and supplying of customized and thematic entertainment equipment and software materials integration services to customers, which are able to achieve good stage and visual effect, such as thematic equipment of bar lighting, audio and audio system and stage machinery etc.;

4. **Financing** — Providing finance lease and credit factoring services to entertainment stores and members;

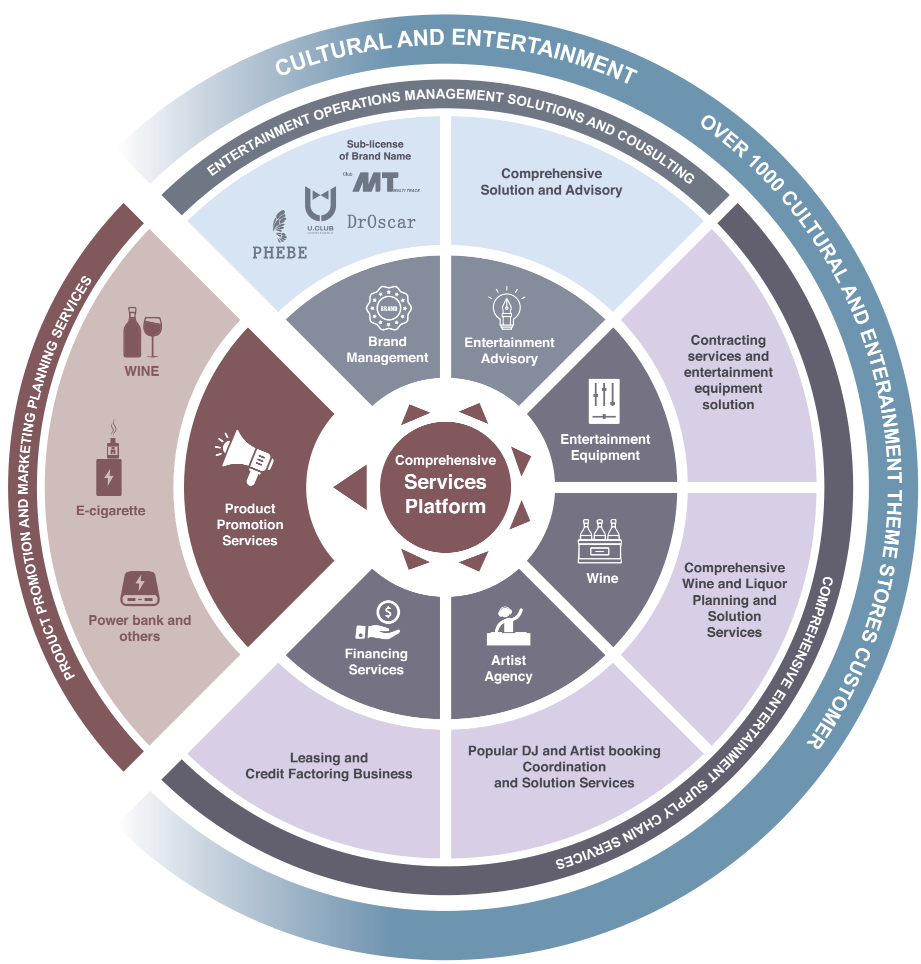
5. **Wine & liquor brand planning and solution services** — Supplying of wine and liquor, providing comprehensive wine and liquor brand planning services to entertainment stores and members;

6. **Artist agency** — Providing booking coordination services of international popular disc jockey and artist agency service to bars, club and lounges;

7. **Products promotion services** — Including wine, liquor, e-cigarettes, power bank and other product promoting services for suppliers.

The Group has embarked comprehensive wine & liquor brand planning and solution services, booking coordination of artist agency services to entertainment stores and members during the Reporting Year. Overall, these services took a good start in the Reporting Year, we are not only to build a sustainable relationship with our customers but also to bring about the synergy from these services to supplement the growth of our comprehensive services platform.

The diagram below sets forth our entertainment comprehensive services platform structure that consists of several business segments:



The Group believes that such comprehensive services platform has afforded us synergic, effective and greater satisfaction from our customers. The Group will continue to review the business operation from time to time and adjust accordingly to meet the Group's current and future business strategy.

FUTURE PLANS AND PROSPECTS

Increasingly, more cultural and entertainment store customers are relying on network information on new products and services, and it is vital to expand our presence to develop and upgrade our network software in the comprehensive services platform, which is included but not limited to an one-stop entertainment software as a service application (transliterated as "**SAAS**"), namely 大智若娛 (transliterated as "**Great Wisdom Entertainment online system services**"). The network software services enable store customers to obtain the products and services information and details from the network services system, which can also decrease their cost of inventory management and boost their brand awareness.

The Group devoted to build a more complete industry and intends to provide music and performance solution services, stores style design, and construction solutions to our existing music theme stores customers. To further enhance the quality of services, the Group is planning to import artificial intelligence ("**AI**"), virtual reality technology ("**VR**") and 3D technology into the comprehensive services platform to cultural and entertainment stores customers in the near future.

We also aim to step in the advertising field of cultural and entertainment industry, to provide advertising and promotion solution services to store members, which would enhance the income of store members, as well the income source of the Group. In conclusion, the Group devotes to continue the increase of the number of entertainment store members, service types of platform and its frequency of services and thus to become a competitive comprehensive services platform.

SIGNIFICANT INVESTMENTS

A net loss of approximately HK$30.01 million (2018: net loss of approximately HK$23.97 million) was recognised for the Group's financial assets at fair value through profit or loss during the Reporting Year. Such net loss comprised of (i) the loss on fair value change of profit guarantee of approximately HK$15.62 million (2018: approximately HK$24.76 million) and (ii) the loss on fair value change of early redemption right of approximately HK$14.39 million (2018: Nil). Details can be referred to Note 6 of this announcement.

On 5 July 2018, an indirect wholly-owned subsidiary of the Company completed the acquisition of 100% equity interest in CIS Industrial Co., Limited and its subsidiary (collectively referred to as the "**CIS Industrial Group**") at a consideration of HK$0.33 million, which was satisfied by cash. CIS Industrial Group is conducting finance leasing business in the PRC.

On 5 November 2018, a direct wholly-owned subsidiary of the Company completed the acquisition of 100% equity interest in Hananhal Investment Holding Co., Ltd and its subsidiary (collectively referred to as the "**Hananhal Group**") at a consideration of HK$0.10 million, which was satisfied by cash. Hananhal Group is conducting credit factoring business in the PRC.

On 30 November 2018, an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement to acquire 51% equity interest in 上海米伽合貿展覽有限公司 (transliterated as Shanghai Mijia Hemao Expo Co., Ltd. or "**Shanghai Mijia**") (formerly known as 上海伽貿展覽有限公司, transliterated as Shanghai Jiamao Expo Co., Ltd.) (the "**Shanghai Mijia Acquisition**"), at a consideration of approximately RMB45.65 million equivalent to approximately HK$51.43 million. The vendors are individuals and independent third parties not connected with the Company and its connected persons as at the date of entering into the sale and purchase agreement. The Shanghai Mijia Acquisition was completed on 26 February 2019.

Pursuant to the terms of sale and purchase agreement in relation to the acquisition of Shanghai Mijia, the vendors agreed to sell 51% equity interest of Shanghai Mijia at a consideration of RMB45.65 million equivalent to approximately HK$51.43 million by cash, of which RMB34.24 million equivalent to approximately HK$38.57 million was settled upon the fulfilment of all condition precedents in the sales and purchase agreement, and the remaining of RMB11.41 million equivalent to approximately HK$12.86 million will be settled upon the fulfilment of a profit guarantee. The vendors undertook that the net profit of Shanghai Mijia in the audited financial statements for each of the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 shall not be less than RMB9.29 million, RMB11.91 million and RMB13.16 million respectively. If there is a shortfall on the profit of Shanghai Mijia in each of the above periods, there will be a cash compensation or deduction of consideration of the shortfall from the vendors to the Group.

The fair value of the above profit guarantee was based on a valuation conducted by an independent firm of professional valuer after assessing the possibility of meeting the guarantee profit and certain assumptions of market conditions. Shall the chance become higher on meeting the above profit guarantee, the possibility of requiring the vendors to compensate and thus the fair value of the profit guarantee becomes lower. During the Reporting Year, the Group recognised a loss on fair value change of the profit guarantee of approximately HK$15.62 million (2018: approximately HK$24.76 million).

	As at 30 June	
	2019	2018
	HK$'000	*HK$'000*
Financial assets at fair value through profit or loss		
– Guaranteed profit	**10,634**	16,785
– Unlisted investment fund	**30,000**	—
– Early redemption right from corporate bonds	**16,230**	—
	56,864	16,785

Financial assets at fair value through profit or loss in terms of market value as at 30 June 2019

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

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

MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed in Note 20 and the section headed "Significant Investments" above, there were no other material acquisitions or disposals of subsidiaries or associates of the Company.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL RESOURCES

As at 30 June 2019, the Group's total current assets and current liabilities, were approximately HK$797.25 million (30 June 2018: approximately HK$302.91 million) and approximately HK$185.03 million (30 June 2018: approximately HK$114.15 million) respectively, while the current ratio was about 4.31 times (30 June 2018: about 2.65 times).

As at 30 June 2019, the Group maintained cash and cash equivalents of approximately HK$212.95 million (30 June 2018: approximately HK$171.18 million). The cash and cash equivalents of the Group as at 30 June 2019 was mainly denominated in Hong Kong dollars ("**HK$**") and Renminbi ("**RMB**").

As at 30 June 2019 and 30 June 2018, the Group did not pledge any of its assets and had no material contingent liabilities. The Group did not have any charges on its assets as at 30 June 2019 and 30 June 2018.

Capital commitments

As at 30 June 2019, the Group had capital commitments contracted but not provided for in respect of acquisition of property, plant and equipment of approximately HK$21.16 million (30 June 2018: Nil).

Capital structure

As at 30 June 2019, the total equity of the Group was approximately HK$544.48 million (2018: approximately HK$389.87 million). The increase was mainly attributable to the combined effect of (i) the increase in share capital and share premium of approximately HK$0.02 million and approximately HK$15.32 million, respectively from the exercise of the conversion rights attached to the third convertible bonds with principal amount of approximately HK$8.00 million in relation to the acquisition of the entire share capital of Fortune Selection Limited and its subsidiaries (the "**Fortune Selection Group**") on 7 April 2017; and (ii) the profit for the year ended 30 June 2019 of approximately HK$107.32 million.

As at 30 June 2019, the Company's issued share capital was approximately HK$2.93 million (2018: approximately HK$2.91 million) with 1,462,900,000 (2018: 1,454,200,000) ordinary shares of HK$0.002 each in issue. The increase in the issued number of shares was primarily due to the issuance of 8,700,000 ordinary shares for the exercise of the conversion rights attached to the third convertible bonds with the principal amount of approximately HK$8.00 million in relation to the acquisition of the entire share capital of Fortune Selection Group on 7 April 2017.

Borrowings

In the foreseeable future, the Group expects to fund its capital expenditures, working capital and other capital requirements from the internal resources and other financing means which the Company may from time to time consider appropriate. As at 30 June 2019, the Group's borrowing, being the amount of the borrowing was approximately HK$324.53 million (30 June 2018: approximately HK$2.59 million).

	As at 30 June	
	2019	2018
	HK$'000	*HK$'000*
Borrowings		
Over 2 years and within 5 years	**324,525**	2,594
Total	**324,525**	2,594

The Group manages its capital to safeguard the Group's ability to continue as a going concern while maximising the return to shareholders through maintaining the equity and debt in a balanced position. As at 30 June 2019, the borrowing of HK$324.53 million were unsecured and fixed interest rate bearing debt securities.

The gearing ratio is the ratio of total debt divided by total assets. As at 30 June 2019, the gearing ratio was 27.64% (30 June 2018: 0.40%).

SUBSEQUENT EVENTS

On 18 July 2019, an indirect wholly-owned subsidiary of the Company has entered into a one-year electronic cigarette ("**E-cigarette**") promotion services and consignment sales agreement with several independent third-party suppliers respectively with the total contract amount of RMB50 million. Pursuant to which, the responsibilities of the Company include, provision of the E-cigarette sales channels at the designated entertainment stores (except for Hong Kong, Macau and Taiwan) to suppliers; arrangement of E-cigarette events at designated entertainment stores; provision of E-cigarette consignment services; and promotion and coordination services of E-cigarette. The suppliers shall ensure the quality of E-cigarette products are strictly abided by Product Quality Law of the PRC and the E-cigarette product will not infringe any legal rights of any third party, including trademarks, patents, etc.

The Company believes that the E-cigarette promotion services could enhance the Group's income source and improve its financial performance.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Group will continue to explore investment opportunities in the PRC to enhance its income source, which may or may not include any assets and/or business acquisitions or disposals by the Group. Any such plans will be subject to the review and approval by the Board and compliance with the applicable requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") where appropriate. The Group may also implement debt and/or equity fund raising plan(s) to satisfy the financing needs arising out of any business development of the Group as well as to improve its financial position in the event that suitable investment opportunities arise.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

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

Date of announcements	Fund raising activity	Approximate net proceeds	Intended use of proceeds	Actual use of proceeds
11 June 2018, 6 August 2018	Placing of bonds	HK$4.5 million	(i) Development of existing exhibition and related business, brand management, financing business, entertainment promotion and consultancy business; (ii) Investment activities when such suitable investment opportunities arise; and (iii) General working capital of the Group	Used as Intended
16 October 2018, 5 November 2018, 8 November 2018	Placing of bonds	HK$294.0 million	(i) Development of existing equipment contracting services, entertainment equipment solution services, finance lease and commercial factoring business; and (ii) Investment activities when such suitable investment opportunities arise, with any remaining balance to be used as general working capital of the Group	Used as Intended

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

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

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2019, the Group had a total of 184 full-time employees in Hong Kong and the PRC (2018: 75 full-time employees). The remuneration payable to its employees included salaries, discretionary bonus and commissions. Remuneration packages were generally structured according to market situations and individual performance. Apart from the mandatory provident fund and statutory retirement benefits, the Group also provided medical benefits and trainings to its employees. The Company has also adopted a share option scheme as incentive to eligible employees.

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

CORPORATE GOVERNANCE PRACTICES AND COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and adopted all code provisions, where applicable, as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Company reviews its corporate governance practices regularly to ensure compliance with the CG code. During the year ended 30 June 2019, the Company has applied the principles and complied with all applicable code provisions as set out in the CG Code except for the following deviation:

- Under code provision A.7.1, an agenda and accompanying board papers should be sent, in full, to the Directors at least three days before the intended date of a Board or Board committee meeting. For practical reasons, an agenda and accompanying board papers may not be sent in full three days in advance of the meeting concerned, especially in case of meetings held on an ad hoc basis. The Company will endeavour to send the agenda and accompanying board papers in full to the Board and Board committees three days in advance to the extent practicable.

Except for the above deviation from the CG Code, the Board is of the view that the Company has complied with the CG Code for the year ended 30 June 2019. The Company reviews its corporate governance practices regularly to ensure compliance with the CG code.

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 had complied with the Model Code during the year ended 30 June 2019.

DIVIDEND

The Board proposed to declare a final dividend of HK5.0 cent per share in cash, approximately HK$73.15 million in aggregate, for the year ended 30 June 2019 (2018: HK1.0 cent), which is expected to be paid on 10 January 2020 to shareholders whose names appear on the register of members of the Company as at 16 December 2019, subject to the shareholders' approval in the forthcoming annual general meeting of the Company expected to be held on 6 December 2019. The proposed final dividend will be paid in HK$ and there is no arrangement that a shareholder of the Company has waived or agreed to waive any dividend.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the eligibility of shareholders to attend and vote at the forthcoming annual general meeting of the Company (or any adjournment thereof), the register of members of the Company will be closed from Tuesday, 3 December 2019 to Friday, 6 December 2019, both days inclusive, during which period no share transfer will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 2 December 2019.

In order to determine the entitlement of shareholders for the proposed final dividend, the register of members of the Company will be closed from Friday, 13 December 2019 to Monday, 16 December 2019, both days inclusive, during which period no share transfer will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 12 December 2019.

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 year ended 30 June 2019.

SCOPE OF WORK OF HLM CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2019 as set out in this announcement have been agreed by the Group's auditor, HLM CPA Limited ("**HLM**") to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLM in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLM on this announcement.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Tsang Wing Ki (chairman), Mr. Choi Hung Fai and Dr. Wong Kong Tin, *JP*. The Audit Committee has reviewed, with management and the independent auditor of the Company, the annual results and the consolidated financial statements of the Group for the year ended 30 June 2019.

By Order of the Board
NOVA Group Holdings Limited
Deng Zhonglin
Chairman

Hong Kong, 27 September 2019

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