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NOVA Group Holdings Limited

諾發集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1360)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2023

The board (the “**Board**”) of directors (the “**Directors**”) of NOVA Group Holdings Limited (the “**Company**”) presents the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 30 June 2023 (the “**Reporting Year**”) together with comparative figures for the year ended 30 June 2022 (the “**Prior Year**” or “**2022**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2023

	Notes	2023 HK\$'000	2022 HK\$'000 (Restated)
CONTINUING OPERATIONS			
Revenue	5		
Contract with customers		9,918	56,832
Interest under effective interest method		31,301	55,329
		<u>41,219</u>	<u>112,161</u>
Total revenue		41,219	112,161
Cost of sales		(5,628)	(33,227)
		<u>35,591</u>	<u>78,934</u>
Gross profit		35,591	78,934
Other income		953	2,893
Other gains and losses		(3,573)	(7,772)
Impairment loss on goodwill	13	(129,032)	(111,418)
Impairment loss on right-of-use assets		(970)	–
Impairment loss on intangible assets	12	(730)	–
Impairment losses under expected credit loss (“ECL”) model, net of reversal	7	(359,493)	(45,632)
Selling expenses		(5,156)	(8,895)
Administrative expenses		(23,681)	(23,683)
		<u>(23,681)</u>	<u>(23,683)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the year ended 30 June 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Operating loss from continuing operations		(486,091)	(115,573)
Finance costs		<u>(4,009)</u>	<u>(4,831)</u>
Loss before tax from continuing operations	6	(490,100)	(120,404)
Taxation	8	<u>(16,009)</u>	<u>50</u>
Loss for the year from continuing operations		<u>(506,109)</u>	<u>(120,354)</u>
DISCONTINUED OPERATION	9		
Loss for the year from a discontinued operation		<u>(388)</u>	<u>(2,513)</u>
Loss for the year		<u>(506,497)</u>	<u>(122,867)</u>
Other comprehensive income/(expenses) for the year			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		(28,023)	(14,305)
Release of exchange reserve upon deregistration of subsidiaries		<u>–</u>	<u>173</u>
Other comprehensive expenses for the year		<u>(28,023)</u>	<u>(14,132)</u>
Total comprehensive expenses for the year		<u>(534,520)</u>	<u>(136,999)</u>
Loss per share:	11		
From continuing operations and a discontinued operation:			
Basic (<i>HK cents</i>)		<u>(26.06)</u>	<u>(6.62)</u>
Diluted (<i>HK cents</i>)		<u>(26.06)</u>	<u>(6.62)</u>
From continuing operations			
Basic (<i>HK cents</i>)		<u>(26.04)</u>	<u>(6.48)</u>
Diluted (<i>HK cents</i>)		<u>(26.04)</u>	<u>(6.48)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Property, plant and equipment		195	327
Right-of-use assets		–	2,133
Intangible assets	<i>12</i>	–	1,035
Goodwill	<i>13</i>	–	129,032
Deposits		–	442
Deferred tax assets		21	11,149
		<u>216</u>	<u>144,118</u>
Current assets			
Inventories		–	1,995
Trade receivables	<i>15</i>	4,975	28,399
Factoring receivables	<i>16</i>	168,313	422,145
Lease receivables	<i>17</i>	2,225	16,136
Loan receivables	<i>18</i>	431	12,174
Prepayments, deposits and other receivables		3,449	3,441
Financial assets at fair value through profit or loss (“FVTPL”)		–	1,147
Income tax receivables		1,112	2,270
Cash and bank balances		2,400	71,758
		<u>182,905</u>	<u>559,465</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 June 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Current liabilities			
Trade payables	19	2,573	3,420
Contract liabilities		895	1,548
Accruals and other payables		8,356	7,386
Lease liabilities		1,155	1,260
Borrowing		3,235	–
Corporate bonds	20	40,671	40,507
Income tax payables		1,236	2,389
		<u>58,121</u>	<u>56,510</u>
Net current assets		<u>124,784</u>	<u>502,955</u>
Total assets less current liabilities		<u>125,000</u>	<u>647,073</u>
Non-current liability			
Lease liabilities		<u>–</u>	<u>1,155</u>
Net assets		<u><u>125,000</u></u>	<u><u>645,918</u></u>
Capital and reserve			
Share capital	21	4,108	3,712
Reserves		<u>120,892</u>	<u>642,206</u>
Total equity		<u><u>125,000</u></u>	<u><u>645,918</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of Cayman Islands and is listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company in Hong Kong is Room 2102, 21/F., Tower One, Lippo Centre, 89 Queensway, Hong Kong.

The Company is an investment holding company. The principal activities of the Group are (i) organisation and sponsorship of exhibitions and events (“**Exhibitions and events**”); (ii) operation of cultural and entertainment comprehensive services platform (“**Cultural and entertainment**”) and (iii) provision of loan and financing services (“**Financing**”). During the Reporting Year, operation in the Exhibitions and events business segment has been ceased and classified as a discontinued operation. Further details of the discontinued operation are set out in Note 9 to the consolidated financial statements.

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. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 July 2022 for the preparation of the consolidated financial statements:

Amendment to AG 5	Accounting Guideline 5 Merger Accounting for Common Control Combinations (Revised)
Amendments to HKFRS 3	Reference to the Conception Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
HKFRS 17	Insurance Contracts and related Amendments ¹
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ²
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement ²
Amendments to HKFRS 16	Lease liability in a Sale and Leaseback ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

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

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after a date to be determined.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation of consolidated financial statements

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

Going concern assumption

The Group reported a loss attributable to the owners of the Company of approximately HK\$506,497,000 and operating cash outflow of approximately HK\$75,969,000 for the financial year ended 30 June 2023 and, as of that date, the Group's cash and bank balances amounted to approximately HK\$2,400,000, among which an amount of approximately HK\$57,000 (equivalent to approximately RMB53,000) was frozen by the bank due to litigation, while the Group recorded outstanding principal amount of borrowing of approximately HK\$3,235,000 (equivalent to approximately RMB3,000,000) and principal amount of corporate bond of HK\$36,000,000 which are due for repayment within the next twelve months. Although the Group had net assets of approximately HK\$125,000,000 and net current assets of approximately HK\$124,784,000, the net assets and net current assets position were mainly comprised of factoring receivables, finance lease receivables and trade receivables as at 30 June 2023, which carrying amount were approximately HK\$168,313,000, HK\$2,225,000 and HK\$4,975,000 respectively.

During the year ended 30 June 2023 and up to the date of this announcement, no result is available from the actions taken by the Directors, including but not limited to legal actions, against the factoring receivables, finance lease receivables and trade receivables which were past due. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

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

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

Taking into account the Group's cash flow forecast for the twelve months from the date of this announcement prepared by management, and assuming the success of the above measures, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue its business as a going concern, adjustments would have to be made in the financial statements to write down the values of the assets to their recoverable amounts and to provide for any further liabilities which might arise. The effect of such adjustments has not yet been reflected in the financial statements.

4. SEGMENT INFORMATION

Business segments

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

The operating and reportable segments are as follows:

Continuing operations

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

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

	Continuing operations				Discontinued operation					
	Cultural and entertainment		Financing		Total for Continuing operations		Exhibitions and events		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue										
Segment revenue	9,918	61,159	31,301	55,329	41,219	116,488	-	-	41,219	116,488
Inter-segment revenue	-	(4,327)	-	-	-	(4,327)	-	-	-	(4,327)
Revenue from external customers	<u>9,918</u>	<u>56,832</u>	<u>31,301</u>	<u>55,329</u>	<u>41,219</u>	<u>112,161</u>	<u>-</u>	<u>-</u>	<u>41,219</u>	<u>112,161</u>
Results										
Segment results	<u>(155,675)</u>	<u>(113,398)</u>	<u>(315,626)</u>	<u>16,192</u>	<u>(471,301)</u>	<u>(97,206)</u>	<u>(371)</u>	<u>(1,242)</u>	<u>(471,672)</u>	<u>(98,448)</u>
Unallocated net loss on financial assets at FVTPL									(830)	(803)
Unallocated impairment loss on right-of-use assets									(970)	-
Unallocated impairment loss under ECL model, net of reversal									-	(580)
Unallocated income and other gains and losses									(746)	(3,438)
Unallocated corporate expenses									(12,339)	(13,549)
Finance costs									<u>(3,914)</u>	<u>(4,828)</u>
Loss before tax									(490,471)	(121,646)
Taxation									<u>(16,026)</u>	<u>(1,221)</u>
Loss for the year									<u>(506,497)</u>	<u>(122,867)</u>

Segment assets and liabilities

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

As at 30 June

	Cultural and entertainment		Financing		Total	
	2023	2022	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
						(Restated)
Assets						
Segment assets	6,629	172,305	172,428	520,969	179,057	693,274
Assets of a discontinued operation					324	596
Unallocated corporate assets					3,740	9,713
Total reportable segment assets					<u>183,121</u>	<u>703,583</u>
Liabilities						
Segment liabilities	13,109	10,733	1,824	3,407	14,933	14,140
Liabilities of a discontinued operation					53	117
Unallocated corporate liabilities					43,135	43,408
Total reportable segment liabilities					<u>58,121</u>	<u>57,665</u>

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

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

5. REVENUE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers:		
Brand management	1,699	4,932
Promotion and consulting services	2,498	17,053
Trading of goods	<u>5,721</u>	<u>34,847</u>
	<u>9,918</u>	<u>56,832</u>
Interest under effective interest method:		
Financing income		
– Credit factoring services	30,302	48,295
– Finance leasing services	660	5,441
– Money lending services	<u>339</u>	<u>1,593</u>
	<u>31,301</u>	<u>55,329</u>
Total	<u>41,219</u>	<u>112,161</u>

6. LOSS BEFORE TAX

Loss before tax from continuing operations has been arrived at after charging:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Staff costs:		
Employee benefits expenses (including directors' emoluments)		
– Salaries, allowance and other benefit	11,596	15,016
– Retirement benefit scheme contributions	1,390	2,390
	<u>12,986</u>	<u>17,406</u>
Other items:		
Amortisation of intangible assets (<i>Note 12</i>)	265	1,153
Depreciation of:		
– property, plant and equipment	123	1,484
– right-of-use assets	1,163	1,316
Auditor's remuneration		
– Audit services	800	1,150
– Non-audit services	240	240
Cost of inventories recognised in cost of sales	5,394	30,640
Lease expenses on short-term leases	831	969
	<u>831</u>	<u>969</u>

7. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Impairment losses recognised/(reversed) on:		
– Trade receivables (<i>Note 15</i>)	17,600	14,634
– Other receivables	–	580
– Factoring receivables (<i>Note 16</i>)	327,344	27,042
– Lease receivables (<i>Note 17</i>)	13,452	3,392
– Loan receivables (<i>Note 18</i>)	1,097	(16)
	<u>359,493</u>	<u>45,632</u>

8. TAXATION

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Current tax:		
– People’s Republic of China (the “ PRC ”) Enterprise Income Tax	1,844	11,188
Underprovision/(overprovision) in prior years:		
– PRC Enterprise Income Tax	3,041	(547)
Deferred tax expense/(credit):		
– Current year	<u>11,124</u>	<u>(10,691)</u>
Income tax expense/(credit) from continuing operations	16,009	(50)
Income tax expense from a discontinued operation	<u>17</u>	<u>1,271</u>
Total income tax expense	<u><u>16,026</u></u>	<u><u>1,221</u></u>

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. No provision for Hong Kong Profits Tax has been made since the Group had no estimated assessable profits for the years ended 30 June 2023 and 2022.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries of the Group in the PRC is 25% for the years ended 30 June 2023 and 2022.

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

9. DISCONTINUED OPERATION

During the year ended 30 June 2023, the Group ceased and classified its Exhibitions and events business operation as a discontinued operation due to deterioration of operating results and financial performance. The analysis of the results of the discontinued operation is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other income	95	16
Other gains and losses	–	(36)
Selling expenses	–	(1)
Administrative expenses	<u>(466)</u>	<u>(1,221)</u>
Loss before tax	(371)	(1,242)
Taxation	<u>(17)</u>	<u>(1,271)</u>
Loss for the year	<u>(388)</u>	<u>(2,513)</u>

Loss for the year from the discontinued operation includes the following:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Staff costs:		
Employee benefits expenses (including directors' emoluments)		
– Salaries, allowance and other benefit	230	849
– Retirement benefit scheme contributions	<u>24</u>	<u>140</u>
	<u>254</u>	<u>989</u>
Other items:		
Depreciation of:		
– property, plant and equipment	–	3
– right-of-use assets	–	14
Lease expenses on short-term leases	<u>69</u>	<u>53</u>

10. DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2023 (2022: HK\$Nil).

11. LOSS PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Loss		
Loss attributable to owners of the Company		
From continuing operations	506,109	120,354
From a discontinued operation	<u>388</u>	<u>2,513</u>
	<u>506,497</u>	<u>122,867</u>
	2023 <i>'000</i>	2022 <i>'000</i>
Number of shares		
Weighted average number/number of ordinary shares for the purpose of basic and diluted loss per share	<u>1,943,894</u>	<u>1,855,903</u>

For the years ended 30 June 2023 and 2022, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options as the exercise prices of the share options were higher than the average market price of the shares of the Company. The basic and diluted loss per share were the same for the years ended 30 June 2023 and 2022.

12. INTANGIBLE ASSETS

	Trademarks and brands <i>HK\$'000</i>
Cost	
At 1 July 2021	30,118
Exchange realignment	<u>(791)</u>
At 30 June 2022 and 1 July 2022	29,327
Exchange realignment	<u>(2,328)</u>
At 30 June 2023	<u>26,999</u>
Accumulated amortisation and impairment	
At 1 July 2021	27,908
Charge for the year	1,153
Exchange realignment	<u>(769)</u>
At 30 June 2022 and 1 July 2022	28,292
Charge for the year	265
Impairment recognised in profit or loss	730
Exchange realignment	<u>(2,288)</u>
At 30 June 2023	<u>26,999</u>
Carrying amount	
At 30 June 2023	<u><u>–</u></u>
At 30 June 2022	<u><u>1,035</u></u>

Particulars regarding impairment testing on intangible assets are disclosed in Note 14 to the consolidated financial statements.

13. GOODWILL

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost		
At the beginning and end of the year	<u>291,416</u>	<u>291,416</u>
Accumulated impairment losses		
At the beginning of the year	162,384	50,966
Impairment loss recognised in profit or loss	<u>129,032</u>	<u>111,418</u>
At the end of the year	<u>291,416</u>	<u>162,384</u>
Carrying amounts	<u><u>–</u></u>	<u><u>129,032</u></u>

Particulars regarding impairment testing on goodwill are disclosed in Note 14 to the consolidated financial statements.

14. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS

For the purpose of impairment testing, goodwill and intangible assets that generate cash flows together with the related goodwill set out in notes to the consolidated financial statements have been allocated to four individual cash-generating unit (“CGU(s)”) (2022: four), comprising subsidiaries in Fortune Selection Group cash generating units (“**Fortune Selection CGU**”) engaged in provision of brand management and related services, subsidiaries in Cheer Sino Group cash generating units (“**Cheer Sino CGU**”) engaged in provision of promotion and consulting services, subsidiaries in CIS Group (“**CIS CGU**”) and subsidiaries in Hananhal Group (“**Hananhal CGU**”) engaged in provision of financing services. The carrying amounts of goodwill and intangible assets (net of accumulated impairment losses) as at 30 June 2023 and 2022 were allocated to these CGUs are respectively as follows:

	Goodwill		Intangible assets	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Fortune Selection CGU	–	2,087	–	1,035
Cheer Sino CGU	–	126,511	–	–
CIS CGU	–	334	–	–
Hananhal CGU	–	<u>100</u>	–	–
Total	<u><u>–</u></u>	<u><u>129,032</u></u>	<u><u>–</u></u>	<u><u>1,035</u></u>

During the year ended 30 June 2023, with reference to the professional valuation performed by the Peak Vision Appraisals Limited, the management of the Group has determined that an impairment loss of approximately HK\$129,032,000 (2022: approximately HK\$111,418,000) arose in relation to goodwill allocated to certain groups of CGUs. There were no material changes in the methodology and sources of market data applied in the valuation between 2023 and 2022. After reviewing the performance of the CGUs in 2023, the management of the Group revised the carrying amounts of the CGUs downwards based on cash flow forecasts. The cash flow forecasts, growth rates and discount rate as at 30 June 2023 have been reassessed taking into consideration higher degree of estimation uncertainties due to the impact brought by the coronavirus disease 2019, the temporary suspension of businesses due to the implementation of lock-down measures in Shanghai and weakening of business economies in the Mainland China.

15. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables from contracts with customers	34,934	42,642
Less: impairment allowance	<u>(29,959)</u>	<u>(14,243)</u>
	<u>4,975</u>	<u>28,399</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0-30 days	144	1,880
31-60 days	147	546
61-90 days	175	252
91-180 days	1,021	7,596
181-365 days	1,527	16,365
Over 1 year	<u>1,961</u>	<u>1,760</u>
	<u>4,975</u>	<u>28,399</u>

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	1,129	1,937
31-60 days	155	2,103
61-90 days	168	3,402
91-180 days	822	9,188
181-365 days	1,723	5,124
Over 1 year	964	221
	4,961	21,975

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

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	14,243	838
Amounts recognised during the year, net	17,600	14,634
Amounts written off	–	(780)
Exchange realignment	(1,884)	(449)
At the end of the year	29,959	14,243

16. FACTORING RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Factoring receivables	489,383	447,695
Interest receivables from factoring receivables	16,824	1,113
Less: impairment allowance	<u>(337,894)</u>	<u>(26,663)</u>
	<u>168,313</u>	<u>422,145</u>

At the end of the Reporting Year, the ageing analysis of factoring receivables, net of impairment allowance, based on the maturity dates of the contracts, is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0-30 days	–	39,729
31-90 days	–	114,842
91-365 days	–	267,574
Overdue	<u>168,313</u>	<u>–</u>
	<u>168,313</u>	<u>422,145</u>

The factoring receivables granted to customers are measured at amortised cost and generally for a period of 4 months to 3 years. The effective interest rates of factoring receivables as at 30 June 2023 ranged from 2.11% to 5.72% (2022: 8.57% to 17.06%) per annum.

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

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At the beginning of the year	26,663	468
Amounts recognised during the year, net	327,344	27,042
Exchange realignment	<u>(16,113)</u>	<u>(847)</u>
At the end of the year	<u>337,894</u>	<u>26,663</u>

17. LEASE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Lease receivables from sale-leaseback transactions	18,179	19,479
Less: impairment allowance	<u>(15,954)</u>	<u>(3,343)</u>
	<u>2,225</u>	<u>16,136</u>

At the end of the Reporting Year, the ageing analysis of lease receivables from sale-leaseback transactions, net of impairment allowance, based on the maturity date of the contracts, is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0-30 days	–	2,718
31-90 days	–	3,119
91-365 days	–	10,299
Overdue	<u>2,225</u>	<u>–</u>
	<u>2,225</u>	<u>16,136</u>

All leases are denominated in RMB. Lease receivables from sale-leaseback transactions are measured at amortised cost and generally for periods of 3 years. The effective interest rate of the lease receivables from sale-leaseback transactions as at 30 June 2023 was 2.78% (2022: ranged from 7.17% to 10.00%) per annum.

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

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At the beginning of the year	3,343	57
Amounts recognised during the year, net	13,452	3,392
Exchange realignment	<u>(841)</u>	<u>(106)</u>
At the end of the year	<u>15,954</u>	<u>3,343</u>

18. LOAN RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loan receivables	1,500	12,000
Interest receivables from loan receivables	48	194
Less: impairment allowance	<u>(1,117)</u>	<u>(20)</u>
	<u>431</u>	<u>12,174</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–30 days	–	90
31–90 days	–	103
91–365 days	–	11,981
Overdue	<u>431</u>	<u>–</u>
	<u>431</u>	<u>12,174</u>

Loan receivables granted to customers are measured at amortised cost and generally for 12 months. The loan receivables were unsecured with an effective interest rate at 2.22% (2022: 8.00%) per annum as at 30 June 2023.

During the Reporting Year, the Group's loan receivable from a customer with principal amount of HK\$8,000,000 had been repaid HK\$6,500,000. As at 30 June 2023, this loan receivable has defaulted in payments and the Group has taken actions, including but not limited to legal actions, to recover the balance. The Directors considered this loan receivable is credit-impaired.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At the beginning of the year	20	36
Amounts recognised/(reversed) during the year, net	<u>1,097</u>	<u>(16)</u>
At the end of the year	<u>1,117</u>	<u>20</u>

19. TRADE PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	<u>2,573</u>	<u>3,420</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–30 days	20	1,455
31–60 days	–	–
61–90 days	–	–
91–180 days	–	–
181–365 days	744	14
Over 1 year	<u>1,809</u>	<u>1,951</u>
	<u>2,573</u>	<u>3,420</u>

The average credit period ranged from 0-180 days.

20. CORPORATE BONDS

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

	Unlisted bond ("Bond I") <i>HK\$'000</i>	Unlisted bond ("Bond II") <i>HK\$'000</i>	Unlisted bond ("Bond III") <i>HK\$'000</i>	Unlisted bond ("Bond V") <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2021	2,895	952	1,966	60,952	66,765
Redemption	(3,000)	–	(2,000)	(24,000)	(29,000)
Gain on early redemption	–	–	–	(381)	(381)
Loss on non-substantial modification	–	–	–	4,700	4,700
Effective interest expenses	293	104	52	4,076	4,525
Less: interest paid	(188)	(62)	(18)	(5,834)	(6,102)
	<u>–</u>	<u>994</u>	<u>–</u>	<u>39,513</u>	<u>40,507</u>
At 30 June 2022 and 1 July 2022					
Redemption	–	(1,000)	–	–	(1,000)
Repayment of handling fee	–	–	–	(360)	(360)
Loss on non-substantial modification	–	–	–	3,198	3,198
Effective interest expenses	–	14	–	3,720	3,734
Less: interest paid	–	(8)	–	(5,400)	(5,408)
	<u>–</u>	<u>(8)</u>	<u>–</u>	<u>(5,400)</u>	<u>(5,408)</u>
	<u>–</u>	<u>–</u>	<u>–</u>	<u>40,671</u>	<u>40,671</u>
At 30 June 2023					

Note:

On 30 December 2022, the Company executed a supplemental deed poll for the unsecured corporate bonds with principal amount of HK\$36,000,000 to modify the maturity date from 31 December 2022 to 30 June 2023. On 23 June 2023, the Company executed a supplemental deed poll for the unsecured corporate bonds with principal amount of HK\$36,000,000 to modify the maturity date from 30 June 2023 to 30 June 2024. Based on the assessments performed by the Group, the modifications are regarded as non-substantial modifications. The losses on modification of corporate bond of approximately HK\$1,216,000 and HK\$1,982,000 are recognised in profit or loss at each of the dates of modification respectively.

During the year ended 30 June 2022, the Group has early redeemed part of Bond V with principal amount of HK\$24,000,000.

21. SHARE CAPITAL

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

Note:

On 30 December 2022, the Company entered into a placing agreement (the “**Placing Agreement**”) with a placing agent pursuant to which the Company had conditionally agreed to place, through the placing agent on a best effort basis, up to 371,180,000 ordinary shares (the “**Placing Share(s)**”) of the Company at a placing price of HK\$0.073 per Placing Share to not less than six placees who are professional, institutional or other investors that are third parties independent of the Company and its connected persons. The Placing Shares were allotted and issued pursuant to the general mandate approved by the shareholders of the Company at the annual general meeting of the Company held on 2 December 2022. On 20 January 2023, a total of 198,250,000 Placing Shares were successfully placed and issued pursuant to the terms and conditions of the Placing Agreement.

22. LITIGATION

On 2 November 2022, a judgement from litigation was made by the Shanghai Jing'an People's Court that a subsidiary of the Group should pay approximately HK\$3,380,000 (equivalent to RMB3,000,000) as compensation for breach of contract term to a supplier of the Group. On 6 June 2023, the supplier commenced a civil action to restrict the bank balance of such subsidiary of the Group. As at 30 June 2023, the outstanding amount of compensation has been recorded in other payables and bank balance of approximately HK\$57,000 (equivalent to approximately RMB53,000) was frozen by the bank due to the litigation.

23. COMPARATIVE FIGURES

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

24. EVENTS AFTER THE REPORTING PERIOD

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

EXTRACTS FROM THE INDEPENDENT AUDITOR’S REPORT

The below sections set out an extract of the report by the independent auditor of the Company (the “**Auditor**”), regarding the consolidated financial statements of the Group for the year ended 30 June 2023.

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the “Basis for Disclaimer of Opinion” section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

A) MATERIAL UNCERTAINTIES RELATING TO GOING CONCERN

As described in note 3 to the consolidated financial statements, the Group reported a loss attributable to the owners of the Company of approximately HK\$506,497,000 and operating cash outflow of approximately HK\$75,969,000 for the financial year ended 30 June 2023 and, as of that date, the Group’s cash and bank balances amounted to approximately HK\$2,400,000, among which an amount of approximately HK\$57,000 (equivalent to approximately RMB53,000) was frozen by the bank due to litigation, while the Group recorded outstanding principal amount of borrowings of approximately HK\$3,235,000 (equivalent to approximately RMB3,000,000) and principal amount of corporate bond of HK\$36,000,000 which are due for repayment within the next twelve months.

As at 30 June 2023, the Group had net assets of approximately HK\$125,000,000 and net current assets of approximately HK\$124,784,000, where the net assets and net current assets position were mainly comprised of factoring receivables, finance lease receivables and trade receivables, which carrying amounts were approximately HK\$168,313,000, HK\$2,225,000 and HK\$4,975,000 respectively. As described in the paragraphs under the subsection headed “RECOVERABILITY OF FACTORING RECEIVABLES, FINANCE LEASE RECEIVABLES AND TRADE RECEIVABLES” below, we were unable to obtain sufficient appropriate audit evidence to assess the recoverability of these balances as at 30 June 2023. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern.

The Directors have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the date of this announcement and have undertaken to carry out a number of measures to improve the Group's liquidity and financial position which are set out in note 3 to the consolidated financial statements.

We consider that the going concern basis of preparation of the consolidated financial statements has been adequately disclosed in the consolidated financial statements, and we also consider that the material uncertainty relating to the Group's going concern has been adequately disclosed in the consolidated financial statements. However, in view of the extent of the multiple uncertainties relating to the recovery of the overdue receivables, the maintaining of sufficient operation to generate operating cash inflow and the obtaining of additional sources of financing, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

B) RECOVERABILITY OF FACTORING RECEIVABLES, FINANCE LEASE RECEIVABLES AND TRADE RECEIVABLES

The factoring receivables, finance lease receivables and trade receivables amounted to approximately HK\$168,313,000, HK\$2,225,000 and HK\$4,975,000 respectively, net of impairment allowances of approximately HK\$337,894,000, HK\$16,113,000 and HK\$29,959,000, respectively as at 30 June 2023, among which impairment losses of approximately HK\$327,344,000, HK\$13,452,000 and HK\$17,600,000, respectively, were charged to profit or loss for the year ended 30 June 2023.

During the year ended 30 June 2023 and up to the date of this announcement, all of the factoring receivables, finance lease receivables and most of the trade receivables outstanding amounts were past due. The management is still in the progress of taking various actions against these debtors respectively. No result from those actions taken is available for justifying the extent of the recoverability of these receivables.

In view of the lack of the information in relation to (1) the financial status of the factoring receivables, finance lease receivables and trade receivables debtors, and the measurement of related collateral values on assessing their ability to recover the past due balance, and (2) the enforcement actions taken by the management against the relevant debtors, their related collaterals and guarantors, the management considered that there is uncertainty on recovering the aforesaid balances. We were unable to obtain sufficient appropriate audit evidence to assess the recoverability of the factoring receivables, finance lease receivables and trade receivables as at 30 June 2023. Therefore, we were unable to determine whether any adjustments to the impairment loss recognised during the year ended 30 June 2023 in respect of the factoring receivables, finance lease receivables and trade receivables were necessary, which might have a significant impact on the Group's financial position as at 30 June 2023, and its financial performance and the elements making up the consolidated statement of cash flows for the year ended 30 June 2023 and related disclosures in the consolidated financial statements.

C) RECEIPTS FROM SEVERAL INDEPENDENT THIRD PARTIES

During the course of our audit of the consolidated financial statements for the year ended 30 June 2023, it came to our attention that three bank receipts in aggregate of approximately RMB17,660,000 ("**Receipts**") paid by independent third parties ("**Third Parties**") had been recorded as settlements of the principal and interest of factoring receivables ("**Settlements**") which were not substantiated with sufficient supporting evidence.

We were unable to obtain sufficient appropriate audit evidence and explanation to satisfy ourselves as to the validity of the Receipts and Settlements and the basis of determining the presentation of these balances and related disclosures in the consolidated financial statements. Therefore, we were unable to satisfy ourselves that the Receipts and Settlements were properly accounted for and disclosed or determine whether any adjustments to the impairment loss recognised during the year ended 30 June 2023 in respect of the factoring receivables were necessary, which might have a significant impact on the Group's financial position as at 30 June 2023, and its financial performance and the elements making up the consolidated statement of cash flows for the year ended 30 June 2023 and related disclosures in the consolidated financial statements.

PROPOSED ACTION PLAN OF THE GROUP TO ADDRESS THE DISCLAIMER OF OPINION

In order to address the uncertainties which may cast doubt regarding the Group's ability to continue as a going concern, and with a view to removing the disclaimer, the Company has taken and intends to continue to implement the measures as detailed below to mitigate the liquidity pressure and to improve its cash flows, including:

- (1) The Board is satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future, after taking into consideration points 1) to 3) under the sub-section headed "Going concern assumption" as set out in note 3 to the consolidated financial statements. The management of the Group (including the Directors) (the "**Management**") recognises that relevant evidence is required to resolve the Auditor's concern on the going concern issue. As such, the Management will closely monitor the progress of the recovery actions and commence contacting and negotiating with various financial institutions for obtaining possible credit facilities. The Management will also consider any feasible plan from the potential investors on corporate restructuring and will proceed as and when appropriate and practicable. In view of the foregoing, and assuming the Group's plans or actions can be substantially completed as planned, including the recovery of receivables from customers, the obtaining of alternative financing and/or successful completion of corporate restructuring plan, and no new circumstances and conditions would have occurred, subject to satisfactory review of the Management's assessment of the Group's going concern and the Auditor being satisfied with the documents, information and/or evidence to be provided by the Company going forward, the Directors are of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next 12 months from 30 June 2023 and the Company is optimistic that the Auditor's qualification on going concern may be removed in connection with the audit of the consolidated financial statements of the Group for the year ending 30 June 2024.

- (2) The Management has engaged a legal advisor to commence legal proceedings in order to recover outstanding amount from overdue customers. The Management is of the view that if the overdue balance of the factoring receivables and finance lease receivables is unable to be settled or that a repayment schedule subsequent to the legal proceedings could not be concluded, the Management will take further legal action proactively in respect of the collaterals in the People’s Republic of China (the “**PRC**”) in order to recover the amounts concerned. Nevertheless, the Group will continue to negotiate with these overdue customers actively with the objective to come up with a mutually agreed repayment plan.
- (3) The Management will strengthen the internal control measures to ensure improvement in the documentation of accounting records and the reliability of financial information. These measures include enhancing the effective risk management and continuing to exercise due care, skill and diligence in monitoring loans repayments, implementing robust approval processes, and conducting review on the internal control systems to identify and rectify any weaknesses. In cases where necessary information cannot be obtained, the Management will take a more prudent approach or even refrain from approving such transactions. The Management will also improve documentation practices to ensure clear and detailed evidence supporting the Group’s financial transactions and activities.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

	For the year ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Exhibitions and events	–	–
Cultural and entertainment	9,918	56,832
Financing	31,301	55,329
	<u>41,219</u>	<u>112,161</u>
Segment (loss)/profit from		
Exhibitions and events	(371)	(1,242)
Cultural and entertainment	(155,675)	(113,398)
Financing	(315,626)	16,192
	<u>(471,672)</u>	<u>(98,448)</u>

Exhibitions and Events Business

From 2021 to 2022, the Group had not launched any exhibition as the coronavirus disease 2019 (“**COVID-19**”) pandemic and the travel restriction measures had been implemented throughout those years, resulting in that the segment of exhibitions and events business recorded nil revenue in those years. Following the relaxation of social distancing measures in February 2023, the Group continues to suspend operation of such business segment, and after taking serious consideration regarding the prospect of such business segment, we have decided to discontinue operation of such business segment during the Reporting Year.

No revenue from the exhibitions and events business was recorded for the Reporting Year (2022: HK\$Nil). It represented 0% (2022: 0%) of the total revenue.

Cultural and Entertainment Business

During the Reporting Year, the Group had focused its brand management through its sole brand “DrOscar”. In prior years, we had several brand management on “PHEBE”, “MT” and “U.CLUB”, but we had ceased operations of those brands since last year due to the impact brought by the COVID-19 pandemic starting from 2020, in particular, the implementation of lock-down measures in Shanghai during the period from March 2022 to June 2022, as well as the weakening of business economies in the Mainland China, which affected most of our customers operating restaurants and entertainment stores, with their business temporarily closed for a period longer than initially expected and being forced to cease operations. This had eventually led to a drop in the number of our members year-by-year.

Prior to the outbreak of the COVID-19 pandemic, the business in 諾笛聯盟平台 (transliterated as “**NOD Union Platform**” or “**NOD Union**”) was one of our core business segments. As at the date of this announcement, we are exploring more different brands and we expect that the joining of new brands to our platform will attract other new local or overseas members to strengthen our member base. On the other hand, we will put more effort on negotiating with other local or overseas brands to build-up a cooperative alliance, and expect that it will bring a positive energy to our brand management, as well as boost the number of our members.

As for our trading business (mainly trading of wine and liquors), we had over a hundred customers, among which most of the revenue came from our existing or previous NOD Union members and customers in brand management. The Group discussed and negotiated the cost with distributors during the contract period, and we determined the selling price ourselves in a range of suggested selling prices offered by the distributors. Since the outbreak of the COVID-19 pandemic, most of our NOD Union members, customers in brand management and/or long-term relationship customers had temporarily suspended or even closed-down their operations. This atmosphere shadowed throughout the whole Mainland China, the impact had not merely been brought to the catering and/or entertainment industry, but had also affected other industries. We also expect that our existing NOD Union members, customers in brand management and/or other customers may take a longer period than expected for recovery from the post-pandemic COVID-19 era. In these circumstances, the ability for recovering the existing outstanding receivables may take a longer period of time than the normal credit period.

Revenue from the cultural and entertainment business has decreased by approximately HK\$46.91 million, or approximately 82.54%, from approximately HK\$56.83 million for the Prior Year to approximately HK\$9.92 million for the Reporting Year. It represented approximately 24.06% (2022: approximately 50.67%) of the total revenue.

The cultural and entertainment comprehensive services platform we offer are currently divided into the following components:

	<i>Notes</i>	For the year ended 30 June	
		2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
Brand management and related services	<i>i</i>	1,699	4,932
Promotion and consulting services	<i>ii</i>	2,498	17,053
Trading of goods	<i>iii</i>	5,721	34,847
		<u>9,918</u>	<u>56,832</u>

Notes:

i. Brand management and related services

Providing brand management and related services under the brand name of “DrOscar”.

ii. Promotion and consulting services

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

iii. Trading of goods

Trading of wine and liquor, e-cigarettes and daily supplies to entertainment stores and NOD Union members, among which revenue generated from the selling of wine and liquors represented approximately 100% of the trading business during the Reporting Year.

Financing Business

Due to the outbreak of the COVID-19 pandemic and the ensuing implementation of lock-down measures in Shanghai for about four months period in 2022 and the subsequent weakening of economics in the PRC, and in light that our head office for conducting financing business is located in Shanghai, our business has been negatively affected. In the meantime, our customers are also suffering from ripple effect, such as default loan principals and interests, serious financial difficulties, lack of workforce, payment/payroll overdue, etc. Not merely ourselves, most of the enterprises, shops or restaurants are facing the same challenges.

Notwithstanding the above challenges which have not been resolved, our Company keeps a professional manner in recovering our debts, such as communicating with our existing customers periodically via telecommunications means, sending letters to/physically visited customers to update the status of the customers' outstanding loans. But unfortunately, their responses are negative, indicating that they are unable to make repayment in such difficult circumstances. During the second half of the Reporting Year, we collected less proceeds from the repayment of default interest and/or loan principal from our customers. Such amount of repayment was not sufficient for sustaining our operations. During the Reporting Year, the Group recorded an impairment loss of expected credit loss, net of reversal of approximately HK\$359.5 million, which represented that the ability of recovering the amount was relatively lower than that during the expected credit period.

The Group has a credit policy and loan approval process to minimise credit risks. The interest rate range has been adjusted during the Reporting Year due to the market changes. Compared with the other two segments, the result from our financing business has led to more adverse impact, and going forward, the Group will take a more prudent and conservative approach in considering approval of each new loan case(s) in the future.

In such circumstances, the Board has established a credit recovery committee of the Company (the “**CRC**”) in March 2023 for the purpose of closely monitoring the status of debts recovery, taking necessary action in order to recover unpaid debts, including sending out notices, negotiating and managing reasonable debt repayment plans with the debtors, liaising with the lawyer(s) to assist in the recovery of debts and/or obtain necessary court order to auction debtor(s) assets for recovery of the debts, or if necessary, engage financial advisor(s) to provide professional advice for its decision making, etc. The above-mentioned roles and responsibilities can assist the Group to take appropriate action at the material time in order to recover the debts, and assist in providing safeguard to the Group’s assets.

Revenue from financing business decreased, by approximately HK\$24.03 million, or approximately 43.43%, from approximately HK\$55.33 million for the Prior Year to approximately HK\$31.30 million for the Reporting Year. It represented approximately 75.94% (2022: approximately 49.33%) of the total revenue.

The financing business is currently divided into the following components:

	<i>Notes</i>	For the year ended 30 June	
		2023	2022
		<i>HK\$’000</i>	<i>HK\$’000</i>
Credit factoring	<i>i</i>	30,302	48,295
Finance leasing	<i>ii</i>	660	5,441
Money lending	<i>iii</i>	339	1,593
		<u>31,301</u>	<u>55,329</u>

Notes:

i. Credit factoring

Credit factoring allows customers to free up cash tied up in unpaid invoices. The finance period given to customers ranges from 4 months to 3 years and the finance services allow customers to release up to 80% of the invoice value.

ii. Finance leasing

The Group focused on expanding its small and medium-sized leasing from sale and leaseback business and centering on the cultural and entertainment customers. The financing period given to customers ranges from 1.25 to 3 years.

iii. Money lending

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

FINANCIAL REVIEW

During the Reporting Year, the Group had recorded approximately HK\$41.22 million in revenue, representing a decrease of approximately 63.25% as compared with that in the Prior Year of approximately HK\$112.16 million. Operating loss from continuing operations for the Reporting Year was approximately HK\$486.09 million as compared with an operating loss from continuing operations of approximately HK\$115.57 million for the Prior Year. Net loss for the Reporting Year was approximately HK\$506.50 million, representing an increase of approximately 4.12 times as compared with the net loss in the Prior Year of approximately HK\$122.87 million. The net loss was mainly attributable to (i) the recognition of impairment losses under expected credit loss model, net of reversal of approximately HK\$359.49 million; (ii) the recognition of impairment losses on goodwill of approximately HK\$129.03 million; and (iii) the decrease in revenue and gross profit of approximately HK\$70.94 million and HK\$43.34 million respectively, as compared to the Prior Year.

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

	For the year ended 30 June	
	2023 HK\$'000	2022 HK\$'000 (Restated)
Revenue	41,219	112,161
Gross profit	35,591	78,934
Operating loss	(486,091)	(115,573)
Operating loss margin (%)	(1,179.29)%	(103.04)%
Net loss on financial assets at FVTPL	(830)	(803)
Impairment loss on goodwill	(129,032)	(111,418)
Impairment loss on right-of-use assets	(970)	–
Impairment loss on intangible assets	(730)	–
Impairment losses under ECL model, net of reversal	(359,493)	(45,632)
Loss for the year	<u>(506,497)</u>	<u>(122,867)</u>

Revenue

The revenue had decreased by approximately HK\$70.94 million, or approximately 63.24%, from approximately HK\$112.16 million for the Prior Year to approximately HK\$41.22 million for the Reporting Year. The decrease was mainly attributable to the decrease in the revenue of the cultural and entertainment segment of approximately HK\$46.91 million and the decrease in the revenue of the financing segment of approximately HK\$24.03 million for the Reporting Year.

Other Gains and Losses

The other losses had decreased by approximately HK\$4.20 million, or approximately 54.03%, from net other losses of approximately HK\$7.77 million for the Prior Year to net other losses of approximately HK\$3.57 million for the Reporting Year.

During the Reporting Year, the Group had not recognised loss on modification of factoring loans (2022: approximately HK\$4.63 million).

Impairment Loss on Goodwill

During the Reporting Year, the Group recognised impairment loss on goodwill of approximately HK\$129.03 million, of which approximately HK\$126.51 million was for Cheer Sino Group cash-generating unit (“CGU(s)”), approximately HK\$2.09 million was for Fortune Selection Group CGU, approximately HK\$0.33 million and approximately HK\$0.10 million were for CIS CGU and Hanahal CGU, respectively. The impairment loss on goodwill increased from approximately HK\$111.42 million in the Prior Year to approximately HK\$129.03 million in the Reporting Year was mainly attributable to the operating environment of the relevant businesses after relaxation of social distancing measures not having improved during the second half of the Reporting Year.

Impairment Losses under ECL Model, Net of Reversal

During the Reporting Year, the Group had considered the rise in inflation rate and the fear of global recession causing uncertainty in the world economy. Despite the consumption in the PRC increased slightly more after the case of COVID-19 pandemic restrictions, the Group’s revenue had not been boosted.

During the Reporting Year, the Group recognised impairment losses under expected credit loss (“ECL”) model, net of reversal of approximately HK\$359.49 million. The impairment assessment under ECL model is performed individually or based on a provision matrix. The credit risk has increased significantly as there is a higher risk that a prolonged pandemic could lead to increased credit default rates. However, such credit default rates had not dropped after relaxation of social distancing measures as our customers are still suffering from ripple effect of the COVID-19 pandemic. In particular, enterprises, shops and restaurants remain adversely impacted resulting in temporary suspension or even close-down of their operations. The ECLs are estimated based on the probability of default and loss given default and are adjusted for forward-looking information that is reasonable and supportable available without undue costs or effort.

Selling and Administrative Expenses

The Group’s selling expenses had decreased by approximately HK\$3.74 million, or approximately 42.02%, from approximately HK\$8.90 million for the Prior Year to approximately HK\$5.16 million for the Reporting Year. Such decrease was primarily affected by the decrease in revenue.

The Group’s administrative expenses for the Reporting Year remained relatively stable at approximately HK\$23.68 million (2022: approximately HK\$23.68 million).

Operating Loss from Continuing Operations and Operating Loss Margin

As a result of the foregoing, the Group’s operating loss from continuing operations for the Reporting Year was approximately HK\$486.09 million, as compared with an operating loss from continuing operations of approximately HK\$115.57 million for the Prior Year. The Group had an operating loss margin of approximately 1,179.29% for the Reporting Year, as compared with an operating loss margin of approximately 103.04% for the Prior Year. The significant increase in operating loss was mainly due to the decrease in revenue, the increase in impairment loss on goodwill and impairment losses under ECL model, net of reversal led by the ensuing adverse effect of the COVID-19 pandemic on the Group’s operations during the Reporting Year.

Operating conditions during the Reporting Year remained challenging due to mounting macroeconomic and geopolitical uncertainties and consumption weakness arising from COVID-19 pandemic outbreaks. In spite of the gradual relaxation of the anti-COVID-19’s social distancing requirements, such measures did not bring any positive impact to the Group during the second half of the Reporting Year.

Finance Costs

The Group's finance costs had decreased by approximately HK\$0.82 million, or approximately 16.98%, from approximately HK\$4.83 million for the Prior Year to approximately HK\$4.01 million for the Reporting Year.

Loss for the Year Attributable to the Owners of the Company

The Group's loss for the year attributable to the owners of the Company had increased by approximately HK\$383.63 million, or approximately 4.12 times, from approximately HK\$122.87 million for the Prior Year to approximately HK\$506.50 million for the Reporting Year.

SIGNIFICANT INVESTMENTS

Save as disclosed in this announcement, the Group did not hold any significant investments during the Reporting Year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL RESOURCES

As at 30 June 2023, the Group's total current assets and current liabilities were approximately HK\$182.91 million (2022: approximately HK\$559.47 million) and approximately HK\$58.12 million (2022: approximately HK\$56.51 million), respectively, while the current ratio was about 3.15 times (2022: about 9.90 times).

As at 30 June 2023, the Group maintained cash and bank balances of approximately HK\$2.40 million (2022: approximately HK\$71.76 million). The cash and bank balances of the Group as at 30 June 2023 were mainly denominated in Hong Kong dollars ("HK\$") and Renminbi ("RMB").

Contingent Liabilities

As at 30 June 2023 and 2022, the Group did not have any material contingent liabilities.

Capital Commitments

As at 30 June 2023 and 2022, the Group had no material capital commitments contracted but not provided for.

Capital Structure

As at 30 June 2023, the Company's issued share capital was approximately HK\$4.11 million (2022: approximately HK\$3.71 million) with 2,054,153,277 (2022: 1,855,903,277) ordinary shares of HK\$0.002 each in issue.

Borrowing and Corporate Bonds

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 2023, the Group's borrowing and corporate bonds were approximately HK\$43.91 million (2022: approximately HK\$40.51 million).

	As at 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Borrowing and corporate bonds		
Within 1 year	43,906	40,507
Over 1 year and within 5 years	—	—
Total	<u>43,906</u>	<u>40,507</u>

The Group manages its capital to safeguard the Group's ability to continue as a going concern while maximising the return to shareholders of the Company through maintaining the equity and debt in a balanced position.

As at 30 June 2023, the corporate bonds of approximately HK\$40.67 million were unsecured and fixed rate interest bearing debt securities. As at 30 June 2023, the borrowing of RMB3,000,000 (equivalent to approximately HK\$3,235,000) was interest bearing at interest rate 3.8% per annum, unsecured, guaranteed by a Director and his spouse.

The gearing ratio is the ratio of total debt divided by total assets. As at 30 June 2023, the gearing ratio was approximately 23.98% (2022: approximately 5.76%).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2023.

MATERIAL ACQUISITIONS AND DISPOSALS

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

DIVIDEND

The Directors do not recommend the payment of a final dividend for the Reporting Year (2022: HK\$Nil).

EVENT AFTER THE REPORTING YEAR

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

FUTURE PLANS AND PROSPECTS

The past three years were so eventful that most enterprises experienced unprecedented challenges. Multiple unexpected factors gave rise to a tough time for the Group to keep a stable development and its normal operations. Although the COVID-19 pandemic has subsided and both the PRC and Hong Kong governments have relaxed anti-pandemic measures, it still takes time for businesses to resume under the sluggish global economy.

Faced with such market pressures and challenges, the Group constantly reviews and consolidates insights. We understand that remaining stagnant would only lag itself behind its peers. Therefore, after prudent consideration, the Group and its management decided to discontinue operation of its exhibitions and events business in order to allocate its resources more efficiently on existing and potential business projects.

The Group and its management recognise the importance of diversity of income streams under the adverse market condition. Except for seeking various channels for fund raising, the Group will prudently monitor the potential business opportunities and make full use of our existing resources to strive for more diversified business opportunities, so as to diversify our business risk and income stream as well as to maximise shareholders' value as a whole.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

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

Date of announcements	Fund raising activity	Approximate net proceeds	Intended use of proceeds	Actual use of proceeds
30 December 2022 and 20 January 2023	Placing of ordinary shares (the “Placing”)	HK\$13.50 million	(i) Approximately 22.22% towards the repayment of debts of the Group; (ii) Approximately 18.52% towards potential investments when opportunities arise; and (iii) Remaining amount towards replenishment of working capital of the Group to support its business operations	Fully used as intended

During the Reporting Year, with view to bringing in additional capital to the Company and strengthening the cash flow position of the Group, a total of 198,250,000 ordinary shares of the Company have been issued under general mandate through a placing agent to not less than six independent placees at HK\$0.073 per placing share (net price per placing share: approximately HK\$0.068; closing price of shares on 30 December 2022: HK\$0.09 per share) pursuant to the terms and conditions of the placing agreement dated 30 December 2022. For other details of the Placing, please refer to the announcements of the Company respectively dated 30 December 2022 and 20 January 2023.

FOREIGN EXCHANGE EXPOSURE

The Group manages or operates its business in Hong Kong and the PRC and is exposed to foreign exchange risk arising financial instruments for hedging purpose.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group had a total of 23 full-time employees in Hong Kong and the PRC (2022: 96 full-time employees). The remuneration payable to its employees included salaries, discretionary bonus and commissions. Remuneration packages were generally structured according to market situations and individual performance. Apart from the mandatory provident fund and statutory retirement benefits, the Group also provided medical benefits and trainings to its employees. The Company has also adopted a share option scheme as incentive to eligible employees.

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

The total remuneration paid to employees, including the Directors, for the Reporting Year was approximately HK\$13,240,000 (2022: approximately HK\$18,395,000). Remuneration was determined with reference to market terms and the performance, qualification and experience of each individual employee.

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 (the “**CG Code**”) as contained in Appendix 14 to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as its own code of corporate governance.

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

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

Mr. Wong Yuk Lun Alan was appointed as the chairman of the Board (the “**Chairman**”) and the chief executive officer of the Company (the “**CEO**”) on 6 April 2023. In view of the current rapid development of the Group, the Board believes that vesting the roles of both the Chairman and the CEO in the same person can facilitate the execution of the Group’s business strategies and boost effectiveness of its operation. In addition, under the supervision of the Board which is comprised of three executive Directors, one non-executive Director and three independent non-executive Directors, the Board is appropriately structured with a balance of power to provide sufficient checks and supervision to protect the interests of the Company and its shareholders. The Company may seek to re-comply with code provision C.2.1 by identifying and appointing a suitable and qualified candidate to the position of the CEO in due course by considering the business needs and developments of the Group.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Board (the “**Audit Committee**”) comprises three independent non-executive Directors, namely Mr. Tsang Wing Ki (chairman), Dr. Wong Kong Tin, *JP* and Mr. To Chun Wai. The Audit Committee has reviewed, with the management and the Auditor, the annual results and the consolidated financial statements of the Group for the Reporting Year.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Company at www.novahldg.com and the website of the Stock Exchange at www.hkexnews.hk. The annual report of the Company, together with the notice of the annual general meeting (collectively, the “**AGM Documents**”), will be despatched to shareholders and published on the aforesaid websites in due course. The annual general meeting of the shareholders of the Company will be held after the despatch of the AGM Documents.

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

Hong Kong, 29 September 2023

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