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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

The board (the “**Board**”) of directors (the “**Directors**”) of NOVA Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 31 December 2019 (the “**Reporting Period**”) together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2019

		For the six months ended 31 December	
		2019	2018
	<i>Notes</i>	HK\$’000	HK\$’000
		(Unaudited)	(Unaudited)
Revenue	5	426,591	282,178
Cost of sales		(206,170)	(95,269)
Gross profit		220,421	186,909
Other income	6	17,509	2,089
Other gains and losses	7	(25,515)	2,402
Net loss on financial assets at fair value through profit or loss	7	(11,085)	(16,675)
Net gain/(loss) on change in fair value of contingent consideration payables	7	27,743	(185,530)
Selling expenses		(14,477)	(5,518)
Administrative expenses		(34,666)	(63,275)

		For the six months ended 31 December	
		2019	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Operating profit/(loss)		179,930	(79,598)
Finance costs		<u>(18,881)</u>	<u>(5,293)</u>
Profit/(loss) before tax	7	161,049	(84,891)
Taxation	8	<u>(54,438)</u>	<u>(42,070)</u>
Profit/(loss) for the period		<u>106,611</u>	<u>(126,961)</u>
Other comprehensive expenses			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>(9,069)</u>	<u>(8,461)</u>
Total comprehensive income/(expenses) for the period		<u>97,542</u>	<u>(135,422)</u>
Profit/(loss) for the period attributable to:			
Owners of the Company		101,262	(126,961)
Non-controlling interests		<u>5,349</u>	<u>–</u>
		<u>106,611</u>	<u>(126,961)</u>
Total comprehensive income/(expenses) for the period attributable to:			
Owners of the Company		92,169	(135,422)
Non-controlling interests		<u>5,373</u>	<u>–</u>
		<u>97,542</u>	<u>(135,422)</u>
Earnings/(loss) per share attributable to owners of the Company:			
Basic (<i>HK cents</i>)	10	<u>6.92</u>	<u>(8.73)</u>
Diluted (<i>HK cents</i>)		<u>6.90</u>	<u>(8.73)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

		At 31 December 2019 <i>HK\$'000</i> (Unaudited)	At 30 June 2019 <i>HK\$'000</i> (Audited) (Restated)
Non-current assets			
Property, plant and equipment	11	4,470	4,738
Right-of-use assets		13,502	–
Intangible assets	12	20,304	30,344
Goodwill	13	314,541	314,541
Financial assets at fair value through profit or loss	14	4,184	7,977
Factoring receivables	17	25,515	–
Finance lease receivables	18	25,853	–
Prepayments, deposits and other receivables		1,990	16,062
Deferred tax assets		1,090	1,465
		<u>411,449</u>	<u>375,127</u>
Current assets			
Inventories		8,641	2,159
Trade receivables	16	327,854	171,327
Factoring receivables	17	201,240	307,557
Finance lease receivables	18	144,940	–
Prepayments, deposits and other receivables		63,677	52,275
Financial assets at fair value through profit or loss	14	32,371	48,887
Income tax receivables		–	2,089
Cash and cash equivalents		158,068	212,951
		<u>936,791</u>	<u>797,245</u>
Assets classified as held for sale	15	25,800	–
		<u>962,591</u>	<u>797,245</u>

		At 31 December 2019 <i>HK\$'000</i> (Unaudited)	At 30 June 2019 <i>HK\$'000</i> (Audited) (Restated)
Current liabilities			
Trade payables	19	54,914	26,445
Receipts in advance		8,821	2,528
Contract liabilities		49,709	13,210
Accruals, deposits received and other payables		47,020	33,129
Lease liabilities		9,177	–
Contingent consideration payables	20	70,946	83,061
Corporate bonds	21	313,035	–
Borrowings		131	–
Dividend payables		73,145	–
Income tax payables		53,812	26,655
		<u>680,710</u>	<u>185,028</u>
Net current assets		<u>281,881</u>	612,217
Total assets less current liabilities		<u>693,330</u>	987,344
Non-current liabilities			
Contract liabilities		4,314	9,496
Lease liabilities		4,827	–
Contingent consideration payables	20	71,652	87,280
Corporate bonds	21	5,569	324,525
Convertible bonds/note		24,515	23,345
		<u>110,877</u>	<u>444,646</u>
NET ASSETS		<u><u>582,453</u></u>	<u><u>542,698</u></u>
Capital and reserves			
Share capital	22	2,926	2,926
Reserves		573,997	543,940
		<u>576,923</u>	546,866
Equity attributable to owners of the Company		<u>576,923</u>	546,866
Non-controlling interests		5,530	(4,168)
		<u>582,453</u>	<u>542,698</u>
TOTAL EQUITY		<u><u>582,453</u></u>	<u><u>542,698</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

1. ORGANISATION AND PRINCIPAL ACTIVITIES

The Company was incorporated as an exempted company with limited liability in 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 principal activity of the Company is investment holding. The Group is principally engaged in the organisation and sponsorship of exhibitions and events, operation of cultural and entertainment comprehensive services platform and financing services.

The unaudited condensed consolidated financial statements have not been audited by the Company’s auditor, but have been reviewed by the Audit Committee.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 31 December 2019 (the “**Reporting Period**”) have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and with applicable disclosure requirements as set out in Appendix 16 to the Listing Rules. It was authorised for issue on 28 February 2020.

The unaudited condensed consolidated financial statements do not include all the information and disclosures required for annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2019 as contained in the Company’s annual report 2018/19 (“**Annual Report**”).

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

Prior year adjustment

In preparing the unaudited interim financial information for the Reporting Period, management has made corrections to the presentation and disclosure of certain transactions and balances in the previously issued Annual Report. The corrections made are related to the recognition of intangible assets as goodwill in the consolidated statement of financial position as at 30 June 2019.

The Group has engaged an independent professional valuer, Peak Vision Appraisals Limited (“**Peak Vision**”), in October 2019 to carry out the valuations of the intangible assets arising from the acquisition of 上海米伽合貿展覽有限公司 (transliterated as Shanghai Mijia Hema Expo Co., Ltd.) as at the completion date of the acquisition (“**Completion Date**”) and the year end date 30 June 2019. Based on the valuation reports, the fair values of the intangible asset as at the Completion Date and 30 June 2019 were approximately HK\$17,875,000 (equivalent to RMB15,253,000) and approximately HK\$17,193,000 (equivalent to RMB14,671,000), respectively.

Accordingly, the Company put through a prior year adjustment to reclassify such amount from goodwill to intangible assets with the amortisation charge amounting to approximately HK\$1,263,000 (equivalent to RMB1,096,000) for the year ended 30 June 2019. The effects of the recognition of intangible asset have increased the intangible assets of approximately HK\$16,092,000, decreased the goodwill, retained earnings and exchange reserve of approximately HK\$17,876,000, HK\$1,263,000 and HK\$521,000, respectively, as at 30 June 2019.

Comparative amounts

As further explained above, as a result of the incident, certain prior year adjustments have been made. In addition, certain comparative amounts have been reclassified to conform to the current period's presentation and disclosures.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Group has adopted and applied the following new standards, amendments to standards and interpretations that have been issued and effective for the accounting periods beginning on 1 July 2019.

HKFRS 9 (amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HKAS 19 (amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (amendments)	Long-term Interests in Associates and Joint Ventures
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
HKFRSs (amendments)	Annual Improvement to HKFRSs 2015–2017 Cycle

Saved as described below, the adoption of these new standards, amendments to standards and interpretations has no material impact on the Group's results and financial position, except for HKFRS 16 "Leases" ("HKFRS 16") as described below.

(1) Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

(i) Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” (“**HKFRS 9**”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease payments change due to changes in market price, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use asset and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

(ii) Transition and summary of effects arising from initial application of HKFRS16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after January 1, 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review;

- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for leases of land use right in the People's Republic of China was determined on a portfolio basis.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 July 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates as 10.39% applied by the relevant group entities.

	At 1 July 2019
	<i>HK\$'000</i>
Operating lease commitments disclosed as at 30 June 2019	23,612
Lease liabilities discounted at relevant incremental borrowing rates	(1,532)
Less: Recognition exemption – short-term leases	<u>(9,808)</u>
Lease liabilities as at 1 July 2019	<u><u>12,272</u></u>
Analysed as:	
Current	6,080
Non-current	<u>6,192</u>
	<u><u>12,272</u></u>

The recognised right-of-use assets relate to the following type of assets:

	At 31 December 2019	At 1 July 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties	<u><u>13,502</u></u>	<u><u>12,272</u></u>

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 July 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 30 June 2019 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 July 2019 HK\$'000
Non-current assets			
Right-of-use assets	–	12,272	12,272
Current liabilities			
Lease liabilities	–	6,080	6,080
Non-current liabilities			
Lease liabilities	–	6,192	6,192

(2) Determination on lease term of contracts with renewal options

The Group applies judgement to determine the lease term for lease contracts in which it is a lessee that include renewal option. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Assets classified as held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

4. SEGMENT INFORMATION

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

In the Reporting Period, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments. Contracting services and entertainment equipment solution, brand management and related services and promotion and consulting services segments have been combined as cultural and entertainment segments. Prior year segment disclosures have been represented to conform with the current period's presentation.

The operating and reportable segments are as follows:

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

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

For the six months ended 31 December

	Exhibition and events		Cultural and entertainment		Financing		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue								
Segment revenue	45,934	18,838	367,540	282,134	34,196	3,935	447,670	304,907
Inter-segment revenue	-	-	(21,079)	(22,729)	-	-	(21,079)	(22,729)
Revenue from external customers	45,934	18,838	346,461	259,405	34,196	3,935	426,591	282,178
Results								
Segment results	18,347	9,297	137,939	147,770	31,129	2,520	187,415	159,587
Unallocated net loss on financial assets at fair value through profit or loss							(7,358)	-
Net gain/(loss) on change in fair value of contingent consideration payables							27,743	(185,530)
Loss on disposal of subsidiaries							(2,818)	-
Unallocated income and other gains and losses							117	(19)
Unallocated corporate expenses							(25,169)	(53,636)
Finance costs							(18,881)	(5,293)
Profit/(loss) before tax							161,049	(84,891)
Taxation							(54,438)	(42,070)
Profit/(loss) for the period							106,611	(126,961)

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

	Exhibition and events		Cultural and entertainment		Financing		Total	
	At 31 December 2019 <i>HK\$'000</i> (Unaudited)	At 30 June 2019 <i>HK\$'000</i> (Audited) (Restated)	At 31 December 2019 <i>HK\$'000</i> (Unaudited)	At 30 June 2019 <i>HK\$'000</i> (Audited)	At 31 December 2019 <i>HK\$'000</i> (Unaudited)	At 30 June 2019 <i>HK\$'000</i> (Audited)	At 31 December 2019 <i>HK\$'000</i> (Unaudited)	At 30 June 2019 <i>HK\$'000</i> (Audited) (Restated)
Assets								
Segment assets	122,080	114,659	407,428	506,944	416,406	449,670	945,914	1,071,273
Unallocated corporate assets							428,126	101,099
							<u>1,374,040</u>	<u>1,172,372</u>
Liabilities								
Segment liabilities	23,530	28,666	169,457	82,997	12,699	6,021	205,686	117,684
Unallocated corporate liabilities							585,901	511,990
							<u>791,587</u>	<u>629,674</u>

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

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

Other segment information

For the six months ended 31 December

	Exhibition and events		Cultural and entertainment		Financing		Unallocated		Total	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)								
Depreciation of property, plant and equipment	(41)	(21)	(133)	(575)	(4)	–	(732)	(732)	(910)	(1,328)
Depreciation of right-of-use assets	(422)	–	(900)	–	–	–	(2,874)	–	(4,196)	–
Write-off of property, plant and equipment	–	–	(24)	(18)	–	–	–	–	(24)	(18)
Capital expenditures	–	–	(39)	(1,299)	(23)	–	(618)	–	(680)	(1,299)
Net loss on financial assets at fair value through profit or loss	(3,727)	70	–	(16,745)	–	–	(7,358)	–	(11,085)	(16,675)
Loss on disposal of subsidiaries	(2,818)	–	–	–	–	–	–	–	(2,818)	–
Amortisation of intangible assets	(1,797)	–	(3,542)	(3,640)	–	–	–	–	(5,339)	(3,640)

5. REVENUE

For the period ended 31 December 2019

	Exhibition and events <i>HK\$'000</i>	Cultural and entertainment <i>HK\$'000</i>	Financing <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue recognised at a point of time				
Organisation and sponsorship of exhibitions, event planning and related services	45,934	–	–	45,934
Contracting services and entertainment equipment solution	–	83,919	–	83,919
Promotion and consulting services	–	161,959	–	161,960
Trading of goods	–	90,090	–	90,089
	<u>45,934</u>	<u>335,968</u>	<u>–</u>	<u>381,902</u>
Revenue recognised over time				
Brand management and related services	–	10,493	–	10,493
	<u>45,934</u>	<u>346,461</u>	<u>–</u>	<u>392,395</u>
Financing income	–	–	34,196	34,196
	<u>45,934</u>	<u>346,461</u>	<u>34,196</u>	<u>426,591</u>

For the period ended 31 December 2018

	Exhibition and events <i>HK\$'000</i>	Cultural and entertainment <i>HK\$'000</i>	Financing <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue recognised at a point of time				
Organisation and sponsorship of exhibitions, event planning and related services	18,838	–	–	18,838
Contracting services and entertainment equipment solution	–	93,620	–	93,620
Promotion and consulting services	–	139,069	–	139,069
	<u>18,838</u>	<u>232,689</u>	<u>–</u>	<u>251,527</u>
Revenue recognised over time				
Brand management and related services	–	26,716	–	26,716
	<u>18,838</u>	<u>259,405</u>	<u>–</u>	<u>278,243</u>
Financing income	–	–	3,935	3,935
	<u>18,838</u>	<u>259,405</u>	<u>3,935</u>	<u>282,178</u>

6. OTHER INCOME

	For the six months ended	
	31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Non-refundable trade deposits forfeited	4,026	–
Government grants	13,175	2,059
Sundry income	308	30
	<u>17,509</u>	<u>2,089</u>

7. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended	
	31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Staff costs:		
Employee benefit expenses (including Directors' emoluments):		
– Salaries, allowance and other benefits	11,404	7,009
– Retirement benefit schemes contributions	2,115	1,104
– Equity-settled share-based payment expenses (<i>Note a</i>)	11,033	37,209
	<u>24,552</u>	<u>45,322</u>

	For the six months ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other items:		
Depreciation of property, plant and equipment	910	1,328
Depreciation of right-of-use assets	4,196	–
Amortisation of intangible assets	5,339	3,640
Auditor's remuneration	300	425
Net (gain)/loss on change in fair value of contingent consideration payables	(27,743)	185,530
Cost of inventories recognised in cost of sales	135,105	135,378
Operating lease rentals in respect of land and buildings	2,002	6,929
	<u> </u>	<u> </u>
Net loss on financial assets at fair value through profit or loss:		
Net realised loss on financial assets at fair value through profit or loss	1	–
Net unrealised loss on financial assets at fair value through profit or loss	4,457	–
Loss on fair value change of early redemption right (<i>Note 14</i>)	2,900	–
Loss on fair value change of profit guarantees (<i>Note 14</i>)	3,727	16,675
	<u> </u>	<u> </u>
Net loss on financial assets at fair value through profit or loss	<u>11,085</u>	<u>16,675</u>
Other gains and losses:		
Interest income	(272)	(1,720)
Exchange gains, net	(216)	(722)
Impairment loss on trade receivables	18,507	–
Impairment loss on finance lease receivables	318	–
Impairment loss on factoring receivables	164	–
Impairment loss on other receivable	–	22
Impairment loss on intangible assets	4,172	–
Write-off of property, plant and equipment	24	18
Loss on disposal of subsidiaries (<i>Note 23</i>)	2,818	–
	<u> </u>	<u> </u>
	<u>25,515</u>	<u>(2,402)</u>

Note a: Included in the equity-settled share-based payment expenses of approximately HK\$11,033,000 (2018: approximately HK\$37,209,000) are the amount of approximately HK\$2,392,000 (2018: approximately HK\$8,607,000) attributable to the Directors and are also included in the Directors' emoluments, with the remaining amount of approximately HK\$8,641,000 (2018: approximately HK\$28,602,000) attributable to the staff of the Group.

8. TAXATION

	For the six months ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
– Hong Kong Profits Tax	292	186
– PRC Enterprise Income Tax	52,416	40,891
	<u>52,708</u>	<u>41,077</u>
Under/(over)-provision in prior periods:		
– Hong Kong Profits Tax	1,380	(98)
Deferred tax:		
– Current period	350	1,091
	<u>350</u>	<u>1,091</u>
Total	<u>54,438</u>	<u>42,070</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 31 December 2019 and 2018.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of certain subsidiaries of the Group in the PRC is 25%.

Pursuant 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 of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008.

9. DIVIDEND

During the six months ended 31 December 2019, a final dividend of HK5.0 cent per share in respect of the year ended 30 June 2019 (six months ended 31 December 2018: HK1.0 cent) was approved. The aggregate amount of the final dividend approved in the Reporting Period amounted to HK\$73,145,000 (six months ended 31 December 2018: HK\$14,542,000).

10. EARNINGS/(LOSS) 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:

	For the six months ended 31 December	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Earnings/(loss)		
Profit/(loss) attributable to owners of the Company	101,262	(126,961)
Effect of dilutive potential ordinary shares:		
Interest on convertible note (net of tax)	<u>977</u>	<u>—</u>
Earnings/(loss) for the purpose of diluted earnings per share	<u>102,239</u>	<u>(126,961)</u>
	For the six months ended 31 December	
	2019 (Unaudited)	2018 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	1,462,900,000	1,454,200,000
Effect of dilutive potential ordinary share:		
Convertible note	<u>18,579,000</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	<u>1,481,479,000</u>	<u>1,454,200,000</u>

For the period ended 31 December 2019, the computation of diluted earnings per share assume the conversion of convertible note since their assumed conversion would result in a decrease in earnings per share. The net profit is adjusted to eliminate the relevant interest expense less the tax effect. 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.

The calculation of diluted loss per share for the six months ended 31 December 2018 has not assumed the exercise of the Company's outstanding share options since their exercise would result in a decrease in loss per share.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group acquired property, plant and equipment of approximately HK\$680,000 (six months ended 31 December 2018: HK\$1,299,000) and write-off of certain property, plant and equipment of approximately HK\$24,000 (six months ended 31 December 2018: approximately HK\$18,000).

12. INTANGIBLE ASSETS

During the Reporting Period, an impairment loss of HK\$4,172,000 (six months ended 31 December 2018: nil) was recognised.

The fair value of intangible asset was determined by the Directors with reference to the valuations at the period ended and year ended carried out by Peak Vision.

13. GOODWILL

	At 31 December 2019 <i>HK\$'000</i> (Unaudited)	At 30 June 2019 <i>HK\$'000</i> (Audited) (Restated)
At the beginning of the period	314,541	290,982
Arising from acquisition of subsidiaries	—	23,559
At the end of the period	<u>314,541</u>	<u>314,541</u>

Goodwill acquired in a business combination is allocated to a cash-generating units that is expected to benefit from that business combination.

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

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December 2019 <i>HK\$'000</i> (Unaudited)	At 30 June 2019 <i>HK\$'000</i> (Audited)
Equity securities listed in Hong Kong	16,318	–
Profit guarantees	6,907	10,634
Early redemption right from corporate bonds	13,330	16,230
Unlisted investment fund	–	30,000
	<u>36,555</u>	<u>56,864</u>
Analysed for reporting purposes as:		
Current portion	32,371	48,887
Non-current portion	4,184	7,977
	<u>36,555</u>	<u>56,864</u>

At 31 December 2019, the fair value of profit guarantees was approximately HK\$6,907,000, resulting in a loss on fair value change of approximately HK\$3,727,000.

At 31 December 2019, the fair value of early redemption right from corporate bonds was approximately HK\$13,330,000, resulting in a loss on fair value of approximately HK\$2,900,000.

The fair value of profit guarantee and early redemption right from corporate bonds were determined by the Directors with reference to the valuations at the period ended and year ended date carried out by Peak Vision. The market value of listed securities were determined based on the quoted market prices available on Stock Exchange at 31 December 2019.

15. ASSETS CLASSIFIED AS HELD FOR SALE

The Company entered into a sale and purchase agreement with an independent purchaser in December 2019, pursuant to which the Company agreed to sell an unlisted investment fund at the consideration of HK\$30,000,000. At 31 December 2019, the unlisted investment fund was classified as assets held for sale, and a 66.67% deposit amounting to HK\$20,000,000, had been received from the purchaser and represented as deposit received in advance.

16. TRADE RECEIVABLES

	At 31 December 2019 <i>HK\$'000</i> (Unaudited)	At 30 June 2019 <i>HK\$'000</i> (Audited)
Trade receivables	346,454	171,327
Impairment loss allowance	<u>(18,600)</u>	<u>–</u>
	<u>327,854</u>	<u>171,327</u>

The Group has a policy of allowing trade customers with credit terms of normally within 90 days except for contracting services and entertainment equipment solution which credit term is normally 8 months. Settlement is made in accordance with the terms specified in the contracts governing the relevant transactions. The ageing analysis of trade receivables based on dates when services are rendered/ invoice dates is as follows:

	At 31 December 2019 <i>HK\$'000</i> (Unaudited)	At 30 June 2019 <i>HK\$'000</i> (Audited)
0 – 30 days	93,816	83,636
31 – 60 days	65,787	26,852
61 – 90 days	34,992	18,222
91 – 180 days	83,130	30,213
181 – 365 days	43,523	12,404
Over 365 days	<u>6,606</u>	<u>–</u>
Total	<u>327,854</u>	<u>171,327</u>

17. FACTORING RECEIVABLES

	At 31 December 2019 <i>HK\$'000</i> (Unaudited)	At 30 June 2019 <i>HK\$'000</i> (Audited)
Factoring receivables	226,047	306,271
Interest receivables from factoring receivables	<u>873</u>	<u>1,286</u>
	226,920	307,557
Impairment loss allowance	<u>(165)</u>	<u>–</u>
	<u><u>226,755</u></u>	<u><u>307,557</u></u>
Analysed for reporting purposes as:		
Current portion	201,240	307,557
Non-current portion	<u>25,515</u>	<u>–</u>
	<u><u>226,755</u></u>	<u><u>307,557</u></u>

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

	At 31 December 2019 <i>HK\$'000</i> (Unaudited)	At 30 June 2019 <i>HK\$'000</i> (Audited)
0 – 30 days	70,754	37,705
31 – 90 days	5,097	85,181
91 – 365 days	125,389	184,671
Over 365 days	<u>25,515</u>	<u>–</u>
	<u><u>226,755</u></u>	<u><u>307,557</u></u>

Factoring receivables granted to customers are measured at amortised cost and generally for a period of 5 months to 3 years with interest rate 15% per annum.

18. FINANCE LEASE RECEIVABLES

Leasing arrangements

Certain of the Group's entertainment equipment and machinery are leased out under finance leases. All leases are denominated in RMB. The term of finance leases entered into ranges from 1 to 3 years.

Accounts receivable under finance leases

	Minimum lease payments		Present value of lease payments	
	At 31 December 2019 <i>HK\$'000</i> (Unaudited)	At 30 June 2019 <i>HK\$'000</i> (Audited)	At 31 December 2019 <i>HK\$'000</i> (Unaudited)	At 30 June 2019 <i>HK\$'000</i> (Audited)
Finance lease receivable comprises:				
Within one year	157,918	–	145,220	–
Later than one year and not later than five years	31,405	–	25,893	–
	<u>189,323</u>	–	<u>171,113</u>	–
Less: unearned finance income	<u>(18,210)</u>	–	<u>–</u>	–
Present value of minimum lease payments receivable	171,113	–	171,113	–
Less: impairment loss allowance	<u>(320)</u>	–	<u>(320)</u>	–
	<u><u>170,793</u></u>	<u>–</u>	<u><u>170,793</u></u>	<u>–</u>
Analysed for reporting purposes as:				
Current portion			144,940	–
Non-current portion			25,853	–
			<u><u>170,793</u></u>	<u>–</u>

The effective interest rates of the finance leases as at 31 December 2019 range from 17.98% to 18.00% per annum.

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

19. TRADE PAYABLES

	At 31 December 2019 <i>HK\$'000</i> (Unaudited)	At 30 June 2019 <i>HK\$'000</i> (Audited)
0 – 30 days	28,511	23,952
31 – 60 days	9,866	1,933
61 – 90 days	5,539	560
91 – 180 days	6,825	–
181 – 365 days	4,173	–
	<u>54,914</u>	<u>26,445</u>

The average credit period ranged from 0 – 90 days.

20. CONTINGENT CONSIDERATION PAYABLES

The calculation of contingent consideration at the end of the Reporting Period as follows:

	At 31 December 2019 <i>HK\$'000</i> (Unaudited)	At 30 June 2019 <i>HK\$'000</i> (Audited)
At the beginning of the period	170,341	182,421
Arising from acquisition of subsidiaries, at fair value	–	10,643
Reclassified to convertible bonds and convertible bonds reserve		
– liabilities portion	–	(29,626)
– equity portion	–	(16,352)
(Gain)/loss on change in fair value	(27,743)	23,255
At the end of the period	<u>142,598</u>	<u>170,341</u>
Analysed for reporting purposes as:		
Current portion	70,946	83,061
Non-current portion	71,652	87,280
	<u>142,598</u>	<u>170,341</u>

The fair value of the contingent consideration payables were determined by the Directors with reference to the valuations at the period ended and year ended date carried out by Peak Vision.

21. CORPORATE BONDS

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

	<i>HK\$'000</i>
At 1 July 2018	2,594
Principal value of the corporate bonds on initial recognition	5,000
Fair value of the corporate bonds on initial recognition	330,620
Direct transaction costs	<u>(6,490)</u>
	331,724
Effective interest expenses	22,216
Less: interest paid	<u>(29,415)</u>
	324,525
At 30 June 2019 and 1 July 2019 (Audited)	324,525
Effective interest expenses	16,919
Less: interest paid	<u>(22,840)</u>
	318,604
At 31 December 2019 (Unaudited)	<u><u>318,604</u></u>
Analysed for reporting purposes as:	
Current portion	313,035
Non-current portion	<u>5,569</u>
	<u><u>318,604</u></u>

The effective interest rates are in a range of 8.18% to 10.46% per annum.

The fair value of the early redemption right were determined by the Directors with reference to the valuations at the period ended and year ended date carried out by Peak Vision.

22. SHARE CAPITAL

	Par value <i>HK\$</i>	Number of ordinary shares	Nominal value of ordinary shares <i>HK\$'000</i>
Authorised:			
At 1 July 2018, 30 June 2019, 1 July 2019 and 31 December 2019	0.002	5,000,000,000	10,000
Issued and fully paid:			
At 1 July 2018	0.002	1,454,200,000	2,908
Conversion of convertible bonds (<i>Note a</i>)	0.002	8,700,000	18
At 30 June 2019 (Audited), 1 July 2019 and 31 December 2019 (Unaudited)	0.002	1,462,900,000	2,926

Note (a): On 2 May 2019, convertible bonds with principal amount of HK\$8,004,000 were converted into 8,700,000 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.

23. DISPOSAL OF SUBSIDIARIES

During the Reporting Period, a wholly-owned subsidiary of the Company disposed of its entire 100% equity interest in Mega Expo (Hong Kong) Limited and its subsidiary, at a consideration of HK\$1. The loss arising from the disposal was calculated as follows:

Analysis of assets and liabilities over which control was lost

	<i>HK\$'000</i>
Assets	
Other receivables	95
Income tax receivables	3,030
Cash and cash equivalents	99
	<u>3,224</u>
Liabilities	
Contract liabilities	(368)
Other payables	(4,363)
	<u>(4,731)</u>
Net liabilities disposed of	(1,507)
Release of non-controlling interest upon disposal of subsidiaries	4,325
Consideration	–
	<u>2,818</u>

24. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere to the condensed consolidated financial statements, the Group had entered into the following related party transactions, which in the opinion of the Directors, were carried out on normal commercial terms and in the ordinary course of business of the Group.

Remuneration for key personnel management, including emoluments paid to the Directors and certain employees of the Group, are as follows:

	For the six months ended 31 December	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Salaries, allowances and other benefits	1,996	2,473
Retirement benefit scheme contributions	9	3
Equity-settled share-based payment expenses	2,392	8,067
	<hr/>	<hr/>
Total compensation paid to key management personnel	4,397	10,543

25. OPERATING LEASE COMMITMENTS

At 31 December 2019 and 30 June 2019, the Group had outstanding commitments payable under non-cancellable operating leases in respect of properties rented with lease terms of between 1 to 5 years which fall due as follows:

	At 31 December 2019 <i>HK\$'000</i> (Unaudited)	At 30 June 2019 <i>HK\$'000</i> (Audited)
	Within one year	1,928
In the second to fifth year, inclusive	159	10,525
	<hr/>	<hr/>
	2,087	23,612

26. CAPITAL COMMITMENTS

	At 31 December 2019 <i>HK\$'000</i> (Unaudited)	At 30 June 2019 <i>HK\$'000</i> (Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>20,820</u>	<u>21,155</u>

In April 2019, an indirectly wholly-own subsidiary of the Company entered into a contract in RMB31,020,000 which is equivalent to approximately HK\$35,536,000 with a ship building company, an independent third party. According to the contract, the amount of approximately HK\$14,381,000 was paid as a first instalment for the yacht ordered.

27. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2019 and 30 June 2019.

28. EVENTS AFTER THE REPORTING PERIOD

Details of subsequent event after the reporting period can be referred to the section headed “Subsequent Event” in the “Management Discussion and Analysis” section of this interim results announcement.

29. COMPARATIVE FIGURES

Certain comparative figures have been adjusted and reclassified to conform the disclosure requirement in respect of the prior year adjustments and segments reorganisation to the consolidated financial statements. The comparative figures in the consolidated statement of financial position and disclosure notes have then been restated.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 31 December 2019 (the “**Reporting Period**”), the Company and its subsidiaries (collectively, the “**Group**”) achieved satisfactory overall operation performance. During the Reporting Period, the Group recorded approximately HK\$426.59 million in revenue, representing an increase of approximately 51.18% as compared with that in the corresponding period last year of approximately HK\$282.18 million. Operating profit for the Reporting Period was approximately HK\$179.93 million, which showed a turn from loss into profit as compared with the operating loss in the corresponding period last year of approximately HK\$79.60 million as customers in the cultural and entertainment industries continued to respond enthusiastically to the array of comprehensive services and products offered by the Group.

The following table sets forth a summary of the performance of the Group for the Reporting Period with comparative figures for the corresponding period as follows:

	For the six months ended	
	31 December	
	2019	2018
	HK\$'000	HK\$'000
Revenue	426,591	282,178
Operating profit/(loss)	179,930	(79,598)
Operating profit/(loss) margin (%)	42%	(28%)
Net gain/(loss) on change in fair value of contingent consideration payables	27,743	(185,530)
Equity-settled share-based payment expenses	(11,033)	(37,209)
Net loss on financial assets at fair value through profit or loss	(11,085)	(16,675)
Profit/(loss) for the period	<u>106,611</u>	<u>(126,961)</u>

Revenue

The revenue has increased by approximately HK\$144.41 million, or approximately 51.18%, from approximately HK\$282.18 million for the six months ended 31 December 2018 (the “**Corresponding Period**”) to approximately HK\$426.59 million for the Reporting Period. The improvement was primarily due to the combined effect of: (i) the revenue derived from the new business of trading of goods amounted to approximately HK\$90.09 million; and (ii) the revenue derived from the artist agency services of amounted to approximately HK\$26.36 million.

Administrative expenses

The Group's administrative expenses have decreased by approximately HK\$28.61 million from approximately HK\$63.28 million for the Corresponding Period to approximately HK\$34.67 million for the Reporting Period. Such decrease was primarily due to the decrease of equity-settled share-based payment expenses from approximately HK\$37.21 million for the Corresponding Period to approximately HK\$11.03 million for the Reporting Period.

Operating profit and operating profit margin

As a result of the foregoing, the Group's operating profit has increased by approximately HK\$259.53 million, or approximately 326.04%, from an operating loss of approximately HK\$79.60 million for the Corresponding Period to an operating profit of approximately HK\$179.93 million for the Reporting Period, the increase was consistent with the growth of revenue. The Group's operating profit margin showed a turn from the operating loss margin of approximately 28.21% for the Corresponding Period to an operating profit margin of approximately 42.18% for the Reporting Period, which was mainly due to the fair value change of contingent consideration payables from a loss of approximately HK\$185.53 million to a gain of approximately HK\$27.74 million.

Non-HKFRS measures

To supplement the results in this interim results announcement which is presented in accordance with HKFRS, adjusted EBITDA, adjusted net profit and adjusted net assets 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 comparison across accounting periods and with those of our peer companies.

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

	For the six months ended	
	31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the period	106,611	(126,961)
Interest income	(272)	(1,720)
Finance costs	18,881	5,293
Taxation	54,438	42,070
Depreciation	5,106	1,328
Amortisation	5,339	3,640
	<hr/>	<hr/>
EBITDA	190,103	(76,350)
Loss on financial assets at fair value through profit or loss	11,085	16,675
Equity-settled share-based payment expenses	11,033	37,209
Net (gain)/loss on change in fair value of contingent consideration payables	(27,743)	185,530
	<hr/>	<hr/>
Adjusted EBITDA	<u>184,478</u>	<u>163,064</u>

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

The Group's adjusted EBITDA has increased by approximately HK\$21.42 million, or approximately 13.14% from approximately HK\$163.06 million for the Corresponding Period to approximately HK\$184.48 million for the Reporting Period.

Adjusted Net Profit

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

	For the six months ended	
	31 December	
	2019	2018
	HK\$'000	HK\$'000
Profit/(loss) for the period	106,611	(126,961)
Loss on financial asset at fair value through profit or loss	11,085	16,675
Equity-settled share-based payment expenses	11,033	37,209
Net (gain)/loss on change in fair value of contingent consideration payables	(27,743)	185,530
	<u>100,986</u>	<u>112,453</u>

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 financing services. The Group aims at taking a leading position in the cultural and entertainment industry. After a few years' development of 諾笛聯盟平台 (transliterated as the "NOD Union Platform" or the "NOD Union"), the Group maintains a good relationship with suppliers and NOD Union members. It has become a core competitive edge of the Group.

With the growing reputation of NOD Union in the People's Republic of China (the "PRC" or "China"), the Group is able to build up business cooperations with new suppliers, such as several reputable distribution agents of popular liquors and famous e-cigarettes brand companies, in trading and product promotion markets. Moreover, with the connection of NOD Union, the Group is able to enlarge the factoring customer base to companies which are the suppliers of large or state-owned enterprises in the PRC.

Further to the satisfactory operation performance during the Reporting Period, the Group will continue to enhance its operations in trading and product promotion markets, and further develop the sales network to increase its market shares and profitability gradually.

The Group has three main segments, which are (i) exhibition and events, (ii) cultural and entertainment, and (iii) financing businesses. We seek to achieve synergistic value amongst the segments, in order to obtain higher returns and greater business opportunities. With the synergic advantages of NOD Union Platform, this business strategy has continued to maintain profit during the Reporting Period.

Exhibition and events business

Amid the ongoing large-scale violent and intensified protests in Hong Kong in recent months, which has coincided with most of the Reporting Period, the violence has driven away shoppers, tourists, business travelers and exhibitors, which significantly affected exhibition functions, events, food & beverage consumption and the overall Hong Kong businesses.

Facing the challenges ahead, the Group will be prudent in managing exhibition and events business operations and evaluating business development opportunities in Hong Kong. The Group has been considering to explore business opportunities outside Hong Kong and 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.

During the Reporting Period, the Group has generated an increasing profit in the organisation and sponsorship of exhibition and events, benefited from the acquisition of a subsidiary in last financial year which has contributed a turnover of approximately HK\$21.57 million, equivalent to approximately RMB19.38 million, to the Group. The Group has launched an “unmanned self-serviced stores exhibition”, named the third edition of Unattended Retail Exhibition (“URE”) and the first 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 the above-mentioned exhibitions. In addition, the Group has also completed over 45 medium-sized event planning projects in the PRC during the Reporting Period.

The overall exhibition and events business performance was strengthened and the segment revenue increased by approximately HK\$27.09 million, or 143.79% from approximately HK\$18.84 million for the Corresponding Period to approximately HK\$45.93 million for the Reporting Period. It represented 10.77% (2018: 6.68%) of the total revenue.

Facing the challenges including the China – US trade war, the current social unrest in Hong Kong and the outbreak of coronavirus in the PRC and Hong Kong, the Group will continue to be prudent in managing its exhibition business operations and evaluating business development opportunity to create greater value to the shareholders.

Cultural and entertainment business

With the synergic advantages and customer base of the NOD Union, we recorded a satisfactory result from our cultural and entertainment business. The operations through our cultural and entertainment comprehensive services platform are currently divided into the following services components:

1. *Brand management and related services:*

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

2. *Solution and consulting services:*

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

3. *Contracting services and entertainment equipment solution:*

Providing and supplying customised and thematic entertainment equipment and software materials integration services to customers, which enable to achieve good stage and visual effect, such as thematic equipment of bar lighting, audio and audio system, stage machinery and etc.;

4. *Trading of goods:*

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

5. *Artist agency:*

Providing booking coordination services of international popular disc jockey and artist agency service to bars, club and lounges;

6. *Products promotion services:*

Including wine, liquor, e-cigarettes, power bank and other product promoting services for suppliers.

During the Reporting Period, the Group has embarked wine & liquor supplying and solution services to entertainment stores and NOD Union members. Overall, these services recorded satisfactory results and have contributed satisfactory income to the Group. The Group will continue to review the business operation from time to time to meet the Group’s current and future business strategy.

During the Reporting Period, the overall cultural and entertainment business performance was strengthened and the segment revenue increased by approximately HK\$87.05 million, or 33.56% from approximately HK\$259.41 million for the Corresponding Period to approximately HK\$346.46 million for the Reporting Period. It represented 81.22% (2018: 91.93%) of the total revenue. The improvement was primarily due to the new business of trading of goods of approximately HK\$90.09 million (2018: nil). The Group co-operated with several reputable liquor brands/agents to sell popular liquors during the Reporting Period. With the connection and customer base of NOD Union, the Group generated a satisfactory revenue and will continue to explore the market.

	For the six months ended	
	31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Brand management and related services	10,493	26,716
Solution and consulting services	84,491	92,588
Contracting services and entertainment equipment solution	83,919	93,620
Trading of goods	90,090	–
Artist agency	26,355	–
Product promotion services	51,113	46,481
	<u>346,461</u>	<u>259,405</u>

Financing business

The financing business comprises money lending, finance leasing and credit factoring services to independent individuals/corporate, entertainment stores and NOD Union members.

Money Lending

The revenue in money lending increased by approximately HK\$0.12 million or approximately 9.38%, from approximately HK\$1.28 million for the Corresponding Period to approximately HK\$1.40 million for the Reporting Period. The Group always insists on meeting customer needs and maximising customer value as a starting point.

Finance Leasing

The revenue in finance lease increased by approximately HK\$9.44 million or approximately 354.89%, from approximately HK\$2.66 million for the Corresponding Period to approximately HK\$12.10 million for the Reporting Period. The Group focused on expanding its small and medium-sized finance lease business and centering on the cultural and entertainment industry to cultivate high quality finance lease customers.

The lessees are from various cities in the PRC, including Shanghai, Beijing, Hefei, Yixing, Kunshan, Hangzhou, Nanjing, Suzhou and etc.

Credit Factoring

Our credit factoring business allows customers to free up cash tied up in unpaid invoices. The finance period given to customers ranges from 6 months to 3 years and the finance service allows business owners to release up to 80% invoice value at an annual interest rate of 15%.

The revenue in credit factoring business increased by approximately HK\$20.70 million from nil for the Corresponding Period to approximately HK\$20.70 million for the Reporting Period.

The financing business performance was strengthened and the segment revenue increased by approximately HK\$30.26 million, or 768.02% from approximately HK\$3.94 million for the Corresponding Period to approximately HK\$34.20 million for the Reporting Period. It represented 8.02% (2018: 1.39%) of the total revenue.

FUTURE PLANS AND PROSPECTS

The year of 2019/20 was full of challenges. Numerous issues happened and remained unpredictable. The China-US trade war may not end soon and we are unable to determine an end sight for the current social unrest in Hong Kong.

The overall economy is likely to continue contracting into 2020 as the coronavirus outbreak adds to challenges already posed by months of Hong Kong social unrest. The rapidly spreading coronavirus outbreak in the PRC continues to rattle the PRC domestic markets which would result in lesser consumption, idle factories, shutting down of restaurants/entertainment stores and broken global supply chains. The outbreak has caused limited supply chain disruptions because many facilities has closed and the concerns that the restaurants, entertainment stores and factories may remain shut for longer than usual due to travel restrictions keep growing.

Due to the uncertainties mentioned above, the management sees the prospect of the exhibition and entertainment businesses not promising in the upcoming period. Accordingly, the Group will be more prudent in managing exhibition and entertainment business operations and evaluating business developing opportunities to diversify the revenue sources and strengthen the competitive advantages in order to minimise the possible exposure to the uncertainties in both Hong Kong and the PRC markets.

We believe that this might not be the time for a traditional single-product/service business which focuses on one product/service in this challenging and uncertain environment. Increasingly, more cultural and entertainment store customers are relying on network information of 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”) , with a working title “大智若娛” (transliterated as “**Great Wisdom Entertainment**”). The network software services will enable our suppliers, existing store customers and NOD Union members to access to the products and services information and details from the e-platform, which can also decrease their cost of inventory management and boost their brand awareness. Accordingly, the Group will focus on the e-platform and provide more comprehensive services to our existing NOD Union members, customers and suppliers.

Our customers and NOD Union members are facing the influences of the novel coronavirus-infected pneumonia, most of them need to close stores and cut cost since January 2020. The management predicts that the revenue and profit in the second half of the year will decrease rapidly. The Group will hold saving resources as its basic principle, taking restrictive cost control in order to stay strong in this economic downturn, in the meantime expedite the process of the e-platform to shift some of the promotion and marketing workload to online business and to explore new business opportunities.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Reporting Period (2018: nil).

SIGNIFICANT INVESTMENTS

A net loss of approximately HK\$11.09 million was recognised for the Group's financial assets at FVTPL during the Reporting Period (2018: approximately HK\$16.68 million), details can be referred to Note 7 to the condensed consolidated financial statements. Details of the listed and unlisted investments as at 31 December 2019 and 30 June 2019 are as follows:

Financial assets at FVTPL in terms of market value as at 31 December 2019

Name of stock listed on the Stock Exchange	Stock code	Brief description of the business	Number of	Percentage of	Investment cost as at 31 December 2019 <i>HK\$'000</i>	Market value as at 31 December 2019 <i>HK\$'000</i>	Percentage to
			shares held as at 31 December 2019	shares held as at 31 December 2019			total assets value of the Group as at 31 December 2019
Tencent Holdings Limited	0700	Internet and mobile value-added services ("VAS"), online advertising and e-commerce transactions	800	Below 0.01%	298	301	0.02%
HSBC Holdings plc	0005	Commercial banking solutions such as commercial lending, Import and export services and card solution for personal and corporations	5,200	Below 0.01%	312	316	0.02%
China U-Ton Holdings Limited	6168	Design, deployment and maintenance services of optical fibers, provision of communication network services and environmentally intelligent technical products and services	79,330,000	3.24%	15,474	15,231	1.11%
China Fordoo Holdings Limited	2399	Design, sourcing, manufacturing and sales of branded menswear products	200,000	Below 0.01%	492	470	0.03%

Top 5 gains/(losses) for the six months ended 31 December 2019

Name of stock listed on the Stock Exchange	Stock code	Realised	Unrealised gain/	Dividend received
		loss for the	(loss) for the	for the
		six months ended	six months ended	six months ended
		31 December 2019	31 December 2019	31 December 2019
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Tencent Holdings Limited	0700	-	3	-
HSBC Holdings plc	0005	(1)	4	-
China U-Ton Holdings Limited	6168	-	(242)	-
China Fordoo Holdings Limited	2399	-	(22)	-

Financial assets at FVTPL in terms of market value as at 30 June 2019

Name of unlisted investment	Brief description of the business	Number	Investment	Market value	Percentage to
		of units held as at 30 June 2019	cost as at 30 June 2019	as at 30 June 2019	total assets value of the Group as at 30 June 2019
			<i>HK\$'000</i>	<i>HK\$'000</i>	
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%

[#] The unlisted investment was presented as assets classified as held for sale with fair value of HK\$25.80 million as at 31 December 2019.

MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed in Note 23 of the condensed consolidated financial statements, there were no other material acquisitions or disposals of subsidiaries or associates of the Company during the Reporting Period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2019, the Group's total current assets and current liabilities were approximately HK\$962.59 million (30 June 2019: approximately HK\$797.25 million) and approximately HK\$680.71 million (30 June 2019: approximately HK\$185.03 million) respectively, while the current ratio was about 1.41 times (30 June 2019: about 4.31 times).

The gearing ratio is the ratio of total debts divided by total assets. As at 31 December 2019, the gearing ratio was 25.78% (30 June 2019: 29.67% (restated)).

As at 31 December 2019, the Group maintained cash and cash equivalents of approximately HK\$158.07 million (30 June 2019: approximately HK\$212.95 million). The cash and cash equivalents of the Group as at 31 December 2019 was mainly denominated in Hong Kong dollars (“**HK\$**”) and Renminbi (“**RMB**”).

As at 31 December 2019, a trade limit of HK\$2.00 million (30 June 2019: nil) from a regulated securities broker was granted to the Group, of which approximately HK\$0.64 million (30 June 2019: nil) was utilised by the Group as at 31 December 2019.

As at 31 December 2019 and 30 June 2019, the Group did not have any contingent liabilities.

CAPITAL COMMITMENTS

As at 31 December 2019, the Group had capital commitments contracted but not provided for in respect of acquisition of property, plant and equipment of approximately HK\$20.82 million (30 June 2019: approximately HK\$21.16 million).

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 31 December 2019, the Group had a total of 223 full-time employees in Hong Kong and the PRC (30 June 2019: 184 full-time employees). The remuneration payable to its employees included salaries, discretionary bonus and commission. 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 an incentive to eligible employees.

Furthermore, the remuneration committee of the Company reviews and gives 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.

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 of such plans will be subject to the review and approval by the Board and in compliance with the applicable requirements under the Rules (the “**Listing Rules**”) Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) 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.

SUBSEQUENT EVENT

The Group has disposed an unlisted investment to an independent purchaser, which classified as assets held for sale as at 31 December 2019, with a consideration of HK\$30,000,000. The transaction is completed on 27 February 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

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

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

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 specific enquiry made by the Company, each of the Directors confirmed that he had complied with the Model Code during the Reporting Period.

AUDIT COMMITTEE

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

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

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

Hong Kong, 28 February 2020

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.