FARNOVA GROUP HOLDINGS LIMITED
法諾集團控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 8153)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2022

This announcement is made by Farnova Group Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). The Company hereby announces the unaudited preliminary financial data for the year ended 31 March 2022 (the "**Unaudited Preliminary Financial Data of 2022**"). Due to the reasons set out in the paragraph headed "Publication of 2022 unaudited annual result" of this announcement, the auditing process of the annual results of the Group for the year ended 31 March 2022 has yet to be completed. The Unaudited Preliminary Financial Data of 2022 contained in this announcement has been reviewed and agreed by the Audit Committee.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	**2022** ***HK$'000*** **(Unaudited)**	2021 *HK$'000* (Audited)
Continuing operations			
Revenue	4	**63,900**	67,086
Cost of sales and services		**(39,785)**	(43,698)
Gross profit		**24,115**	23,388
Other income		**2,447**	12
Other gain		**–**	10,343
Distribution costs		**–**	(50)
Administrative expenses		**(20,996)**	(23,910)
Impairment loss on other receivables		**(3,523)**	–
Impairment loss on trade receivables		**(16,847)**	(498)
Net fair value loss on financial assets at fair value through profit or loss		**–**	(1)
Finance costs	5	**(6,840)**	(6,756)
Share of result of associates		**(485)**	–
(Loss)/profit before income tax	6	**(22,129)**	2,528
Income tax expense	7	**(141)**	(156)
(Loss)/profit for the year from continuing operations		**(22,270)**	2,372
Discontinued operation			
(Loss)/profit for the year from discontinued operation		**–**	14
(Loss)/profit for the year		**(22,270)**	2,386
Other comprehensive (expense)/income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(99)**	266
Reclassification of foreign currency translation reserve upon disposal of subsidiaries		**–**	783
Total comprehensive (expense)/income for the year		**(22,369)**	3,435

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	**2022**	2021
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
(Loss)/profit for the year attributable to:			
– Owners of the Company		**(22,270)**	2,386
– Non-controlling interests		**–**	–
		(22,270)	2,386
Total comprehensive (expense)/income for the year attributable to:			
– Owners of the Company		**(22,369)**	3,435
– Non-controlling interests		**–**	–
		(22,369)	3,435
(Loss)/earnings per share			
From continuing and discontinued operations			
– Basic and diluted (HK cents)	8	**(0.30)**	0.04
From continuing operations			
– Basic and diluted (HK cents)	8	**(0.30)**	0.04
From discontinued operations			
– Basic and diluted (HK cents)	8	**0.00**	0.00

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	Notes	**2022**	2021
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**7,652**	21
Intangible assets		**6,800**	–
Right-of-use assets		**588**	1,469
Goodwill	10	**16,833**	–
Investment in an associate		**–**	–
		31,873	1,490
Current assets			
Trade receivables	11	**56,064**	23,064
Prepayments, deposits and other receivables		**74,508**	30,488
Cash and cash equivalents		**4,119**	25,183
		134,691	78,735
Current liabilities			
Trade payables	12	**16,561**	21,777
Other payables and accruals		**37,380**	12,381
Borrowings		**12,390**	163
Lease liabilities		**623**	868
Tax payables		**618**	161
		67,572	35,350
Net current assets		**67,119**	43,385
Total assets less current liabilities		**98,992**	44,875

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	Notes	**2022**	2021
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Non-current liabilities			
Borrowings		**1,488**	–
Lease liabilities		**–**	623
Bond and interest payable		**4,789**	7,687
		6,277	8,310
Net assets		**92,715**	36,565
EQUITY			
Capital and reserves			
Share capital		**3,397**	2,857
Reserves		**91,799**	33,708
Equity attributable to owners of the Company		**95,196**	36,565
Non-controlling interests		**(2,481)**	–
Total equity		**92,715**	36,565

1. CORPORATE INFORMATION

Farnova Group Holdings Limited (the "**Company**") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is Room 8212, Unit 01, 82/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

The Company is an investment holding company and the principal activities of the Group are provision of advertising services and sales of new energy electric vehicles.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These unaudited consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**").

These unaudited consolidated financial statements are presented in Hong Kong dollars ("**HK$**") and all amounts have been rounded to the nearest thousand, unless otherwise indicated.

These unaudited consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2021 consolidated financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year or the Group elected to early adopted in the current year.

Amendments to HKFRSs that are mandatorily for the current year

The Group has applied, for the first time, the following new/revised HKFRSs:

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

Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16: Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "**Reform**"). The amendments complement those issued in November 2019 and relate to:

- changes to contractual cash flows — a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;

- hedge accounting — a company will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and

- disclosures — a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

Amendments to HKFRS 16: Covid-19-Related Rent Concessions Beyond 30 June 2021

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2022. The amendments do not affect lessors.

These amendments shall be applied for annual periods beginning on or after 1 April 2021 with earlier application permitted. The Group has adopted the amendments in the current year. In accordance with the transition provisions therein, the amendments have been applied retrospectively by the Group recognising the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) and therefore the comparative information has not been restated.

The adoption of the above amendments does not have any significant impact on the 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 HKFRS and HKASs that have been issued but not yet effective.

Amendments to HKAS 16	Proceeds before Intended Use[1]
Amendments to HKAS 37	Cost of Fulfilling a Contract[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Annual Improvements to HKFRSs	2018–2020 Cycle[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to HKAS 1	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
HKFRS 17	Insurance Contracts[2]
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information[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 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 The effective date to be determined

The directors do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the results and financial position of the Group.

3. SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the unaudited consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management, which is the Group's chief operating decision maker, for the purposes of allocating resources to, and assessing the performance of, the Group's various geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the provision of advertising services;

(b) sales of new energy electric vehicle; and

(c) securities investments and trading of securities in Hong Kong.

In January 2021, the Group disposed of it's entire equity interests in Success Start Limited which engaged in money lending in Hong Kong. Accordingly, the Group's money lending operation was treated as discontinued operation. The segment information reported below does not include any amounts for the discontinued operation.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before income tax. The adjusted profit or loss before income tax is measured consistently with the Group's profit or loss before income tax except that bank interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment Results

For the year ended 31 March 2022

	Advertising *HK$'000* (Unaudited)	**Sales of vehicle** *HK$'000* (Unaudited)	**Securities investments** *HK$'000* (Unaudited)	**Total** *HK$'000* (Unaudited)
Segment revenue				
Sales to external customers	**63,900**	**–**	**–**	**63,900**
Segment results	**11,519**	**(17,611)**	**–**	**(6,092)**
Reconciliation:				
Unallocated gains				**2,447**
Finance costs				**(6,840)**
Corporate and other unallocated expenses				**(11,644)**
Loss before income tax				**(22,129)**

For the year ended 31 March 2021

	Advertising *HK$'000* (Audited)	Sales of vehicle *HK$'000* (Audited)	Securities investments *HK$'000* (Audited)	Total *HK$'000* (Audited)
Segment revenue				
Sales to external customers	56,100	10,986	–	67,086
Segment results	19,463	3,984	(1,399)	22,048
Reconciliation:				
Unallocated gains				12
Finance costs				(6,756)
Corporate and other unallocated expenses				(12,776)
Profit before income tax				2,528

4. REVENUE

	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Revenue from contracts with customers within HKFRS 15		
Continuing operations		
Advertising service income	**63,900**	56,100
Sales of vehicle	**–**	10,986
	63,900	67,086

5. FINANCE COSTS

	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Continuing operations		
Interest on other loans wholly repayable within five years	**5,408**	1,880
Interest on bonds	**1,339**	1,049
Interest on convertible bonds	**–**	3,774
Interest expense on lease liabilities	**93**	53
	6,840	6,756

6. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax from continuing operations is arrived at after charging:

	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
(a) Employee benefit expense (including directors' remuneration)		
Salaries, wages and other benefits	**7,227**	6,292
Retirement benefit scheme contributions	**628**	200
	7,855	6,492
(b) Other items		
Depreciation of property, plant and equipment	**1,555**	39
Depreciation of right-of-use assets	**882**	365
Amortisation of intangible assets	**956**	–
Auditors' remuneration	**800**	620
Consultancy fee	**1,350**	5,158

7. INCOME TAX EXPENSE

	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current tax		
Hong Kong Profit Tax	**141**	–
PRC Enterprise Income Tax	**–**	156

For the year ended 31 March 2022, the profit tax rate for the first HK$2,000,000 assessable profits arising from Hong Kong of qualifying entities will be taxed at 8.25%, and assessable profits arising from Hong Kong above HK$2,000,000 will continue be taxed at the rate of 16.5%.

For the year ended 31 March 2021, the Group's estimated assessable profits for the year are wholly absorbed by unrelieved tax losses brought forward from previous years in Hong Kong.

The Group's entities established in the PRC are subject to Enterprise Income Tax of the PRC at a statutory rate of 25% for the year ended. For the year ended 31 March 2022 and 2021, the PRC Enterprise Income Tax has not been provided for as the Group's PRC subsidiaries have incurred loss for taxation purpose.

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2022	2021
	HK\$'000	*HK\$'000*
	(Unaudited)	(Audited)
(Loss)/profit attributable to owners of the Company		
– From continuing operations	**(22,270)**	2,372
– From discontinued operation	**–**	14
	(22,270)	2,386
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares in issue	**7,311,561**	5,961,225

Diluted loss per share for the year ended 31 March 2022 is the same as the basic loss per share as there are no dilutive potential ordinary shares in existence during the year.

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 March 2021 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect.

9. DIVIDEND

The Board does not recommend the payment of any dividend for the financial year ended 31 March 2022 (2021: nil).

10. GOODWILL

On 24 December 2021, the Group, the vendor and the target company entered into the agreement, pursuant to which the vendor has conditionally agreed to sell and the Group has conditionally agreed to purchase the equity Interests, being 51% of the entire equity interests in the target company, at the consideration of RMB12,750,000 (equivalent to approximately HK$15,555,000). On 21 March 2022, the acquisition has been completed and the target company has become a non-wholly owned subsidiary of the Group. Goodwill arose because the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, future market development and the assembled workforce. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

11. TRADE RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**73,205**	23,562
Less: Allowance for credit losses	**(17,141)**	(498)
	56,064	23,064

Aging analysis

The Group's credit terms with its customers generally range from 30 days to 180 days (2021: 30 days to 180 days). The Group seeks to apply strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. As at the end of the reporting period, an aging analysis of the trade receivables, net of provision presented based on the respective dates on which revenue was recognised, are as follows:

	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**24,535**	8,224
31–90 days	**7,368**	12,840
91–180 days	**10,199**	700
Over 180 days	**13,962**	1,300
	56,064	23,064

12. TRADE PAYABLES

Based on the invoice date, the aging analysis of the trade payables is as follows:

	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**271**	–
31–90 days	**2,821**	19,677
91–180 days	**8,275**	1,800
Over 180 days	**5,194**	300
	16,561	21,777

The Group's credit terms generally range from 30 to 60 days (2021: 30 to 60 days) from the invoice date.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group derives its revenue mainly from (i) the provision of advertising services and (ii) sales of new energy electric vehicle.

Overview

During the year ended 31 March 2022 (the "**Year**" or the "**Reporting Period**"), the Group's revenue amounted to approximately HK$63.9 million, which was solely derived from its advertising services business, representing a decrease of 4.7% when compared to that of approximately HK$67.1 million for a last year. No revenue was recorded from the sales of new energy vehicle during the Year, as compared to the revenue of approximately of HK$11.0 million recorded for the preceding year.

During the Year, the COVID 19 pandemic continuously recurred globally and caused negative impacts on the global economy. Against the background of repeated pandemic, automobile industry in the PRC has achieved positive growth, in particularly, the new energy vehicle market.

The Group has responded positively to the national policies in promoting the electric and alternative fuel source vehicles in response to the global climate change and the need to reduce emissions. In order to maintain stability of automobile market, relevant State authorities have emphasized their encouragement and support to the development of the automobile industry. The Group believed that new energy vehicle market will continue to improve and pick up the growth momentum once the macro economy has improved. With this positive industry outlook, the Group has devoted and integrated resources to strengthen its new energy vehicle business in the areas of design, research and development, quality controls, brand building, production capacity and network distribution.

With regards to the advertising services segment of the Group, it was able to sustain an organic growth in revenue recorded for the Year despite the adverse impacts brought by the pandemic and the market sentiments. In light of this satisfactory performance, the Group has implemented its strategic plan for expanding its advertising business through acquisition of 51% equity interest in a key player in the PRC, which has solid experience in events and product promotion. Following the completion of the acquisition, the Group will be able to broaden its clientele and create a synergy for its new energy vehicle business segment as a whole.

Advertising

During the Year, the Group's advertising services business achieved satisfactory results with its revenue stood at approximately HK$63.9 million, as compared to approximately HK$56.1 million, representing an increase of 13.9%. This increase was mainly contributed by the expansion of clientele base, improvement of operation efficiency and enhancement of value-added services offering during the Reporting Period. The Group's gross profit margin in respect of its provision of advertising services for the Year has remained stable at approximately 37.7% as compare to the gross profit margin of last year.

With the strong support from the sales and marketing team and in-house production team, the Group has committed to offer value-added services to its clients annual advertising solutions on various media platforms such as advertising on mass transportation and social media, which has sharpened its competitive edge for successfully upkeeping its existing clients' loyalty while expanding its client base by clients' referrals.

Apart from focusing on the developing of its provision of advertising services in Hong Kong, the Group has also proactively sought to identify strategic partners for cooperation in providing advertising services in the PRC with an aim of diversifying its client base and enhancing its brand equity.

Given the growing market demand of advertising services in the PRC albeit the resurgence of COVID-19, on 24 December 2021, the Group entered into an agreement to acquire 51% of the equity interests in Beijing Creative Communication International Culture Media Co., Ltd. ("**Beijing Creative**"), which is principally engaged in the advertising business in the PRC. Through the acquisition, the Group will be able to further expand its advertising services business in the PRC and diversify its clientele. Furthermore, Beijing Creative has solid experience in product promotion and events marketing, this also creates a synergy with the Group's sales of new energy electric vehicles in the PRC. The Group believed that Beijing Creative will generate positive contribution in revenue to the Group and further broaden the clientele base of its advertising business segment in the upcoming years.

New energy electric vehicle

Despite the impact of COVID-19 during the Year, the new energy vehicle industry showed positive growth. Driven by the directions of the national policies in the PRC, the development of the new energy automobile industry will continue to improve.

Although the Group recorded no revenue from the sales of new energy vehicle during the Year, compared with a revenue of approximately HK$11.0 million during the preceding year, in view of the positive market outlook of the new energy vehicle industry, the Group has continuously devoted efforts to develop its own production capacity in order to streamline production and to shorten production lead times with a view to enhancing its revenue and profitability in this business segment while reducing its reliance on third party manufacturers. The Group has also during the Year developed and released the second generation of Farnova Othello electric super car, which has received approbation in both the PRC and overseas new energy electric vehicle markets. In addition, the debut of new energy automobiles, namely, EV-Refrigerated Truck, NE-Bus, for public transport and commercial applications as well as new energy vehicles "Banquo" and "Lear" during the Year also received favourable feedbacks from the customers in the PRC and foreign market(s) and thus, further enhanced the Group's brand equity in the field of new energy vehicle industry by meeting the needs in differentiated market segments.

As part of its strategy to develop its own production capacity, the Group has also sought to cooperate with other leading players in the industry in order to diversify its lineup of new energy vehicles. On 29 April 2021, the Group entered into a strategic cooperation agreement (the "**Strategic Cooperation Agreement**") with the People's Government of Kundulun District of the PRC (the "**Government of Kundulun District**"). Pursuant to the Strategic Cooperation Agreement, the Group and the Government of Kundulun District would co-invest in the development of a new energy vehicle research and development facility as well as manufacturing facilities for the production of lightweight new energy vehicles in Kundulun District, Baotao City, the PRC.

On 28 June 2021, the Group engaged an agent, on its behalf, to conduct due diligence for the purposes of acquiring a majority interest in a company which is a world-renowned automotive manufacturer based in Italy which is principally engaged in the design, manufacture and sales and marketing of new energy electric vehicles. The possible acquisition, if materializes, will enable the Group to expand its reach to overseas markets and serve to enhance the Group's technical abilities as well as develop its overseas manufacturing capabilities to capture the market growth.

On 9 August 2021, the Group entered into a memorandum of understanding with Guizhou Hankais Intelligent Technology Company Limited* (貴州翰凱斯智能技術有限公司) whereby the parties will carry out strategic cooperation for the potential procurement of modular autonomous chassis to be used in the manufacture of self-driving electric vehicles. The Group considered that such strategic cooperation will enable the Group to tap into the market of self-driving electric vehicles in order to diversify its product mix and expand its market share in new energy vehicle industry.

Furthermore, on 7 December 2021, the Group entered into an agreement to acquire 7.0% of the equity interest in Guangxi Huaao which is a company principally engaged in manufacturing and sales of road vehicles and new energy vehicles. The Group intends to take advantages of the strength of Guangxi Huaao in relation to its research and development of new energy commercial vehicle products and its comprehensive manufacturing platform which when combined with those of the Group, being the design of new energy vehicles, application of carbon fiber new material technology and its sales network in the PRC and aboard, will enable the Group to develop the electric vehicle markets in the PRC, the ASEAN countries, U.S. and Europe.

In addition, on 9 December 2021, the Group entered into a cooperation framework agreement with Corun Chs Technology Co., Ltd. ("**Corun**"). Corun is a research and development company specializing in hybrid and transmission system integration technology and mainly produces hybrid and transmission system integration and supporting products. Pursuant to the agreement, the Group and Corun will form a joint venture to focus on research and development, design and production-manufacturing of energy-saving and new energy vehicles, to forge an industry benchmark and improve corporate competitiveness in the market.

Aside from developing the Group's production capabilities, the Group has also taken proactive steps in recruiting talented individuals who are experienced in the new energy vehicle industry to enable the Group to properly utilize its capabilities. On 6 August 2021 and 13 September 2021 respectively, the Group appointed Mr. Zhang Jian Hua ("**Mr. Zhang**") as the Group's Technical Director of Electric Vehicle Engineering and Mr. Chen Jian Xiong ("**Mr. Chen**") as the Group's Production Director of Electric Vehicle Engineering. Mr. Zhang had previously served as the head of the Electric Vehicle Task Force at BYD Auto Co., Ltd and has over 15 years of experience in the electric vehicle industry. As for Mr. Chen, he had previously worked as a general manager for Shenzhen Wuzhoulong Motors Co., Ltd and has approximately 20 years of experience in the electric vehicle industry.

To increase the competitiveness of the Group, the Group will continue to devote significant in-house efforts to, among others, research and development, engineering, design, quality control as well as sales and marketing of new energy electric vehicles. The Group will also strive to integrate top international automotive technology resources and introduce world class personnel and autonomous driving technology.

Notwithstanding the Group's focus on developing its own core capabilities in the new energy electric vehicle industry, the Group has also sought to nurture and assist in the development of companies in the new energy electric vehicles industry. Through the incubation, the Group can aid in the development of the industry as a whole and will be able to capitalize upon emerging technologies in the future. In this connection, the Group on 15 June 2021 entered into a framework cooperation agreement with Shenzhen Cheyun Digital Technology Co., Ltd. (深圳市車云數字技術科技有限公司) and Shenzhen Xingchenhai Fund Management Co., Ltd. (深圳星辰海基金管理有限公司) to, amongst others, jointly establish and manage a new energy vehicle industry fund which could provide referral between investment projects and investors as well as resources and supports to each other.

On 4 November 2021, the Group entered into a strategic cooperation agreement (the "**Strategic Cooperation Agreement**") with Shenzhen Qianhai Guangdong-Hong Kong Capital Investment Management Co., Ltd. (深圳前海粵港資本投資管理有限公司) ("**Guangdong-Hong Kong Capital**") and Guangdong Guanghao Investment Consulting Co., Ltd. (廣東省光浩投資諮詢有限公司) ("**Guangdong Guanghao**"). Pursuant to the Strategic Cooperation Agreement, the parties intend to jointly form and manage a fund which shall focus on investments in emerging technology industries primarily including new energy vehicles and related core components, new energy power batteries and related materials, as well as digital new infrastructure fields such as businesses related to the internet of intelligent vehicles, which has been widely applied for transportational wireless communications and information exchange. By leveraging on the knowledge, network and expertise of Guangdong-Hong Kong Capital and Guangdong Guanghao, it is expected that this will provide business opportunities in furtherance of the Group's new energy vehicle business and enable it to tap into the digital new infrastructure fields.

In order to cope with the Group's current operating and strategic investment plans/acquisitions, the Company has successfully placed a total of 1,350,000,000 new Shares of HK$0.06 per Share to nine independent placees (the "**Placing**"). All conditions of the Placing have been fulfilled and completion of which has taken place on 14 February 2022. The net proceeds of HK$81.0 million derived therefrom have been used for repayment of debts, expansion of the Group's business and general working capital.

Administrative expenses

The Group's administrative expenses decreased by approximately 12.2% to approximately HK$21.0 million, as compared to the preceding year. The administrative expenses mainly comprise of staff salaries and emoluments, consultancy fees, depreciation of property, plant and equipment, amortisation of intangible assets, and legal and professional fees. The significant decrease in consultancy fees were partially offset by the increase in staff salaries and emoluments, depreciation of property, plant and equipment and amoritsation of intangible assets. Apart from the decrease in consultancy fees, the general increase in other administrative expenses was in line with the Group's expansion of its advertising and new energy electric vehicle business.

Finance costs

The Group's finance costs remained fairly stable at approximately HK$6.8 million for the Year, as compared to approximately HK$6.8 million of the same period last year. The decrease in interest expenses on the Company's issued convertible bonds were offset by the increase in interest expenses on other borrowings. The Company issued convertible bonds were fully converted into the Company's shares during the year ended 31 March 2021. The Group's total borrowings including lease liabilities increased significantly from HK$9.3 million as at 31 March 2021 to approximately HK$19.3 million as at 31 March 2022, due to approximately HK$10 million loan borrowing incurred near the end of the Year.

Loss for the year and loss attributable to owners of the Company

The Group recorded a loss for the Year of approximately HK$22.3 million, as compared to a profit for the preceding year approximately HK$2.4 million. Loss attributable to owners of the Company for the Year was approximately HK$22.3 million, as compared to a profit of approximately HK$2.4 million for the preceding year. The basic and diluted loss per share of the Group for the year were HK cents 0.30, as compared to an earnings per share of HK cents 0.04 for the preceding year.

PROSPECTS

During the first half of the Year, the global economy has showed a positive sign of recovery despite the resurgence of the COVID-19 recently. It is expected that with the effective controls on the pandemic and gradual relaxation of the travel and quarantine restrictions world-wide, market sentiments will further improve. Coupled with the promulgation of favorable national policies by the central and local governments in the PRC on automobile industry, in particularly, the new energy vehicles, the Group anticipated that the pace of recovery of new energy vehicle market will pick up quicky once the macro economy has re-bounded. For those companies, which have previously tightened their original budgets on advertising and marketing activities, will adjust their budgets to capture the business opportunities once the market has improved.

The Group has strategically taken steps in developing and retaining its clientele in order to tap in the markets by building a strong sales and marketing team to promote brand awareness and provide value-added services, such as offering annual advertising solutions to clients with "one-shop" solution approach. The Group is currently offering all-rounded advertising services such as social media marketing as well as showcasing the skills of its in-house production team, which can provide its clientele with cost effective marketing and advertising solutions. The Group strives to continue its existing successful efforts and strategies with a view to further developing its advertising services business in both Hong Kong and the PRC.

In light of the significant increase in the awareness of the effects of global warming and the promotion of clean, low-carbon, safe and efficient utilization of energy, a number of countries have issued timetables for the elimination of fossil fuel vehicles and offered government initiatives towards the promotion of electric or alternative fuel source vehicles. The PRC government has also issued various statements to the effect that they envision that by 2025, 20% of all vehicles sold in the PRC will be new energy electric vehicles and by 2030, 40% of all vehicles sold in the PRC will be new energy electric vehicles. In order to further promote the sustainable and high-quality development of the new energy vehicle industry, new policies and statements have been issued and implemented by the PRC government to fully develop the industry by accelerating the adjustment of traditional automobile industrial structure and facilitating its transformation and upgrading. Against this backdrop and given that PRC is the largest market for automobiles and electric vehicles in the world, the Group believed that the development of new energy vehicle industry will continue to expand and having a strong growth momentum in the long run.

The Group will continue to devote considerable efforts and resources towards the production and promotion of its new energy electric vehicles in order to capitalize upon the expected demand. In adherence to this strategy, the Group has initiated arrangements and cooperation with other leading players in the field to develop its own production facilities with a view to further streamlining the production and reducing its reliance on third parties for manufacturing its vehicles.

Looking ahead, the Group is optimistic on the growth of the new energy vehicle market. With the emerging wave of electrification, intelligence transformation and network advancement of automobiles, the industry landscape and products of automobiles have undergone irreversible structural changes, the Group will continue to strengthen its competitiveness by recruiting talented individuals in the industry and collaborating with leading and reputable international automotive brands/operators so as to capture the potential growth of new energy vehicle business.

REVIEW OF UNAUDITED PRELIMINARY FINANCIAL DATA OF 2022

Due to the restrictions on travel, logistics and others in the PRC as a result of the recent COVID-19 pandemic, and the prevention and control quarantine measures in certain cities in the PRC, the audit procedures of the Group could not be completed as scheduled. As such, as of the date of this announcement, the auditing process of the annual results of the Group for the year ended 31 March 2022 has yet to be completed. The Company has decided to delay the publication of audited annual results announcement for the year ended 31 March 2022 as well as the publication and despatch of the 2022 annual report.

The Unaudited Preliminary Financial Data of 2022 contained in this announcement has been reviewed and agreed by the Audit Committee.

FURTHER ANNOUNCEMENT

After the completion of auditing process, the Company is expected to publish the annual results announcement of the Company for the year ended 31 March 2022 on or before 31 July 2022 in relation to the audited results for the year ended 31 March 2022 and the accounting adjustment or material differences (if any) as compare to the Unaudited Preliminary Financial Data of 2022 set out in this announcement. In addition, the Company will publish the 2022 annual report of the Company on or before 31 July 2022.

The preliminary financial data of the Group for 2022 contained in this announcement is unaudited and has not been agreed by the Company's auditor. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Farnova Group Holdings Limited
Guo Gelin
Chairman

Hong Kong, 30 June 2022

As of the date of this announcement, the executive Directors are Mr. Guo Gelin, Mr. Mou Zhongwei and Mr. Deng Li; the non-executive Directors are Mr. Kuang Quanzhuang, Mr. Li Guangying and Mr. Wang Hanjing; and the independent non-executive Directors are Mr. Luo Ji, Ms. Wu Hong and Mr. Li Jianxing.