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F A R N O V A

FARNOVA GROUP HOLDINGS LIMITED

法諾集團控股有限公司

(Formerly known as Code Agriculture (Holdings) Limited 科地農業控股有限公司)

(Incorporated in Bermuda with limited liability)

(Stock code: 8153)

ANNOUNCEMENT OF FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2020

The board of directors (the “**Board**”) of Farnova Group Holdings Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) hereby announces the unaudited first quarterly results of the Group for the three months ended 30 June 2020. This announcement containing the full text of the 2020 First Quarterly Report of the Company (the “**2020 First Quarterly Report**”), complies with the relevant requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”). Printed version of the 2020 First Quarterly Report containing the information required by the GEM Listing Rules will be despatched to the shareholders of the Company in due course.

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

Hong Kong, 14 August 2020

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Director(s)”) of Farnova Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this report misleading.

FIRST QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the "Board") hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 30 June 2020 (the "Period"), together with the unaudited comparative figures for the corresponding period in 2019 as follows:

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

For the three months ended 30 June 2020

	Notes	Three months ended 30 June	
		2020 HK\$'000	2019 HK\$'000
Revenue	3	5,137	5,124
Cost of sales and services		(4,680)	(4,000)
Gross profit		457	1,124
Administrative expenses		(2,017)	(3,649)
Net fair value gain/(loss) on financial assets at fair value through profit or loss		1	(509)
Finance costs	4	(2,411)	(2,853)
Loss before income tax	5	(3,970)	(5,887)
Income tax expense	6	–	–
Loss and total comprehensive expenses for the period		(3,970)	(5,887)
Loss and total comprehensive expenses attributable to:			
– Owners of the Company		(3,970)	(5,887)
– Non-controlling interests		–	–
		(3,970)	(5,887)
		HK cents	HK cents
Loss per share attributable to owners of the Company:			
– Basic and diluted	8	0.08	0.19
– Basic and diluted	8	0.08	0.19

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 30 June 2020

	Attributable to owners of the Company							Non- controlling interests	Total equity
	Share capital	Share premium	Equity component of convertible bonds	Merger reserve	Exchange reserve	Accumulated losses	Total		
	HK\$'000	HK\$000	HK\$'000	HK\$'000 (note (a))	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2019 (audited)	1,072	184,403	77,638	(197)	(341)	(433,228)	(170,653)	(7,614)	(178,267)
Loss and total comprehensive expenses for the period	-	-	-	-	-	(5,887)	(5,887)	-	(5,887)
Conversion of convertible bonds	360	44,640	-	-	-	-	45,000	-	45,000
Shares issued in respect of bond interest payments	18	4,551	(2,284)	-	-	-	2,285	-	2,285
At 30 June 2019 (unaudited)	1,450	233,594	75,354	(197)	(341)	(439,115)	(129,255)	(7,614)	(136,869)
At 1 April 2020 (unaudited)	1,961	286,094	72,143	(197)	395	(466,219)	(105,823)	(7,511)	(113,334)
Loss and total comprehensive expenses for the period	-	-	-	-	-	(3,970)	(3,970)	-	(3,970)
At 30 June 2020 (unaudited)	1,961	286,094	72,143	(197)	395	(470,189)	(109,793)	(7,511)	(117,304)

Notes:

- (a) The merger reserve of the Group represents the difference between the nominal value of the share capital of a subsidiary acquired and the nominal value of the shares issued by the Company in exchange thereof pursuant to the Group reorganisation on 20 March 2001 as set out in the prospectus of the Company dated 26 March 2001.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the GEM of 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 2007, 20th Floor, C C Wu Building, 302–308 Hennessy Road, Wan Chai, Hong Kong.

The Company is an investment holding company and the principal activities of the Group are provision of digital television broadcasting and advertising in Hong Kong and the People's Republic of China (the "PRC"), money lending business in Hong Kong and securities investments in Hong Kong.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousands ("HK\$'000") except when otherwise indicated. The condensed consolidated financial statements for the three months ended 30 June 2020 (the "First Quarterly Financial Statements") are unaudited but were reviewed by the Audit Committee of the Company (the "Audit Committee") and approved for issue by the Board on 14 August 2020.

2. BASIS OF PREPARATION

The First Quarterly Financial Statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules and with Hong Kong Financial Reporting Standards ("HKFRSS") and Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong.

The First Quarterly Financial Statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2020 (the "2020 Annual Report").

The preparation of the First Quarterly Financial Statements in conformity with HKFRSs requires the use of certain critical accounting estimates. The significant judgments, estimates and assumptions applied in the preparation of the First Quarterly Financial Statements are consistent with those followed in the preparation of the 2020 Annual Report.

Going concern

The Group recorded both unaudited net current liabilities and net liabilities as at 30 June 2020. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The Directors reviewed the Group's financial and liquidity position, and have taken the following actions to mitigate the liquidity issues faced by the Group:

- (a) the shareholders of the Company have confirmed that they will provide continuous financial support to the Company for a period of twelve months from the date of approval of the unaudited quarterly report for the three months ended 30 June 2020 by the Directors;
- (b) possible fund-raising activities including, but not limited to placing, rights issues or open offer and issuance of convertible bonds are to be attempted;
- (c) the Group is in negotiation with financial institutions and the Company's bondholders for new borrowings and extensions of existing borrowings and convertible bonds upon due dates and applying for future credit facilities; and
- (d) the management plans to improve the Group's financial performance by taking steps to reduce discretionary expenses and administrative costs and exploring new business which will provide on growing and recurring source of income.

In light of the measures and arrangements as described above, the Directors consider the Group will have sufficient working capital to meet their financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

3. REVENUE (UNAUDITED)

	Three months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Digital television service income	5,000	5,000
Money lending income	137	124
	5,137	5,124

4. FINANCE COSTS (UNAUDITED)

	Three months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Interest on other loans wholly repayable within five years	815	568
Interest on convertible bonds	1,596	2,285
	2,411	2,853

5. LOSS BEFORE INCOME TAX (UNAUDITED)

	Three months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
(a) Employee benefit expenses (including directors' remuneration)		
Salaries, wages and other benefits	1,284	1,173
Retirement benefit scheme contributions	35	49
	1,319	1,222
(b) Other items		
Depreciation of items of property, plant and equipment	45	47
Depreciation of right-of-use assets	31	144

6. INCOME TAX EXPENSES (UNAUDITED)

	Three months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Current tax — Hong Kong Profits Tax	—	—

Hong Kong Profits Tax was calculated at the rate of 16.5% based on the HK Group Companies' estimated assessable profits arising in Hong Kong subsidiaries during the Forecast Period. The two-tiered profits tax regime (i.e. the first HK\$2.0 million of assessable profits will be taxed at 8.25%, and assessable profits above HK\$2.0 million will be taxed at 16.5%) is applicable to our HK Group Companies for the three months ended 30 June 2020 and 2019.

The provision for PRC Enterprise Income Tax is calculated at the standard rate of 25% on the estimated assessable income as determined in accordance with the relevant income tax rules and regulations of the PRC. No PRC Enterprise Income Tax has been provided for the three months ended 30 June 2020 and 2019.

7. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (UNAUDITED)

- (a) Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Three months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Loss		
Loss attributable to owners of the Company	(3,970)	(5,887)
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue (Note)	4,902,392	3,062,441

- (b) No adjustment has been made to the basic loss per share amounts presented for the three months ended 30 June 2020 and 2019 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect.

8. DIVIDEND

The Board does not recommend the payment of a dividend for the three months ended 30 June 2020 (2019: Nil).

9. EVENT AFTER THE REPORTING DATE

Subsequent to the period end, the bondholders of the 8% convertible bonds in the aggregate principal amount of HK\$120.0 million due on 31 December 2020 (the "CB 2019") have requested the Company to convert the CB interest into share which the principal amount is HK\$2,010,929 and 40,218,575 shares were issued at conversion price of HK\$0.05 per share to the bondholders on 10 July 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the Period, the Group was principally engaged in provision of digital television broadcasting and advertising in Hong Kong and the PRC, money lending business in Hong Kong and securities investments in Hong Kong.

The Group's revenue for the Period amounted to approximately HK\$5.1 million, as compared to that of approximately HK\$5.1 million for the three months ended 30 June 2019 (the "Preceding Period"), resulting in the Group loss for the Period of approximately HK\$3.9 million, as compared to a loss of approximately HK\$5.9 million for the Preceding Period.

Digital television operation

The Group recorded revenue of approximately HK\$5.0 million from this operation for the Period, as compared to revenue of approximately HK\$5.0 million for the Preceding Period. The management will focus on the development of advertisement campaign in the near future.

Money lending operation

Revenue from this operation for the Period was approximately HK\$137,000, as compared to revenue of approximately HK\$124,000 for the Preceding Period. The revenue was remained stable with Preceding Period. As at 30 June 2020, gross loan receivables amounted to HK\$5.1 million (as at 30 June 2019: HK\$4.5 million).

Securities investments operation

The net fair value gain on financial assets at fair value through profit or loss for the Period was approximately HK\$1,000. The loss of approximately HK\$0.5 million for the Preceding Period.

Financial Review

Revenue

For the Period, revenue of the Group amounted to approximately HK\$5.1 million, as compared to that of approximately HK\$5.1 million for the Preceding Period. The revenue was mainly contributed by the digital television operation.

Cost of sales and services

The cost of sales and services increased to approximately HK\$4.7 million for the Period from approximately HK\$4.0 million for the Preceding Period.

Gross profit and gross profit margin

The Group's gross profit decreased to approximately HK\$0.5 million for the Period from approximately HK\$1.1 million for the Preceding Period, representing a decrease of approximately 54.5%.

Administrative expenses

Administrative expenses for the Period decreased to approximately HK\$2.0 million from approximately HK\$3.6 million for the Preceding Period. Administrative expenses mainly consist of staff costs, depreciation, legal and professional fees and others. The Group will continue to adopt the stringent cost controls in the forthcoming periods.

Finance costs

The Group recorded finance costs of approximately HK\$2.4 million for the Period, as compared to approximately HK\$2.8 million for the Preceding Period. The finance costs were mainly arising from the interest expenses on convertible bonds which were issued in November 2015 and June 2016 and amended the terms on 5 December 2018.

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

The Group recorded a loss for the Period of approximately HK\$3.9 million, as compared to a loss of approximately HK\$5.9 million for the Preceding Period. Loss attributable to owners of the Company for the Period was approximately HK\$3.9 million, as compared to a loss attributable to owners of the Company of approximately HK\$5.9 million for the Preceding Period. The basic and diluted loss per share of the Group for the Period were HK cents 0.08, as compared to HK cents 0.19 for the Preceding Period.

CAPITAL STRUCTURE

As at 30 June 2020, the number of issued ordinary shares of the Company was 4,902,391,929 shares (31 March 2020: 4,902,391,929 shares).

Subsequent to the period end, the bondholders of the CB 2019 have requested the Company to convert the CB interest into share which the principal amount is HK\$2,010,929 and 40,218,575 shares were issued at conversion price of HK\$0.05 per share to the bondholders on 10 July 2020.

Additional shares may be issued by way of conversion of the convertible bonds which if fully converted would result in the issuance of 1,600,00,000 shares of the Company.

PROSPECTS

Looking ahead, the Group remains confident about the prospects of the cultural industry including advertisement, travel, movie and television, new media and money lender. The cultural and media industry throughout the world, and especially in the PRC is presented with a huge opportunity. The management will continue to develop solid operating strategies of the Group and explore other investment opportunities with a view to enhancing and improving returns to our stakeholders.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2020, the interests and short positions of the Directors and chief executives of the Company in the ordinary share of HK\$0.0004 each in the share capital of the Company ("Shares"), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")), as recorded in the register which is required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the SFO or the GEM Listing Rules were as follows:

Long positions in the Shares

Name of Director and chief executive	Capacity	Number of Shares held (Note)	Approximate percentage of shareholding
Wang Dequn	Beneficial owner	220,000,000	4.49%

Save as disclosed above, as at 30 June 2020, none of the Directors or chief executive of the Company had any interests or short positions in the Shares and underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of GEM Listing Rules relating to securities transactions by Directors.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Directors' and Chief Executives' interests and short positions in Shares and underlying Shares of the Company or any associated corporation" and "Share Option Scheme", at no time during the three months ended 30 June 2020 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2020, so far as was known to the Directors, the following persons (not being Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Long positions in the Shares and underlying Shares

Name of shareholders	Notes	Capacity and nature of interests	Number of Shares held/ interested (Note (c))	Number of underlying Shares held/ interested (Note (b) and (c))	Approximate percentage of shareholding
Enerchina Investments Limited	(a)	Interest of corporation controlled	4,164,383	600,000,000	12.32%
Uptown WW Capital Group Limited (Cayman)	(a)	Interest of corporation controlled	4,164,383	600,000,000	12.32%
Uptown WW Capital Group Limited (BVI)	(a)	Interest of corporation controlled	4,164,383	600,000,000	12.32%
Uptown WW Holdings Limited	(a)	Interest of corporation controlled	4,164,383	600,000,000	12.32%
Kenson Investment Limited	(a)	Beneficial owner	4,164,383	600,000,000	12.32%
Oshidori International Holdings Limited	(a)	Interest of corporation controlled	4,164,383	600,000,000	12.32%
Yiu Kwok Ming Tommy		Beneficial owner	80,458,628	420,000,000	10.21%
宋文霞		Beneficial owner	364,200,547	-	7.43%
Wang Dequn		Beneficial owner	220,000,000	-	4.49%

Notes:

- (a) Kenson Investment Limited is directly wholly owned by Uptown WW Holdings Limited which is directly wholly owned by Uptown WW Capital Group Limited (BVI) which is directly wholly owned by Uptown WW Capital Group Limited (Cayman) which is directly wholly owned by Enerchina Investments Limited is directly wholly owned by Oshidori International Holdings Limited. Oshidori International Holdings Limited, Enerchina Investments Limited, Uptown WW Capital Group Limited (Cayman), Uptown WW Capital Group Limited (BVI) and Uptown WW Capital are deemed to be interested in the Shares and underlying Shares held by Kenson Investment Limited.

Save as disclosed above, no other person had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

A share option scheme was adopted by the Shareholders and became effective on 27 March 2020 and shall remain in force for a period of 10 years from that date. The share option scheme mandate limit was refreshed to 10% of the issued Shares at the date of special general meeting of the Company (the "SGM") held on 27 March 2020.

As at 30 June 2020, the number of Shares available for issue under the scheme was 490,239,192 Shares. As at the date of this report, no share option has been granted under the share option scheme of the Company.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules for the three months ended 30 June 2020, save and except for the following:

1. Code provision A.1.3 requires that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given. Due to the practical reasons, 14 days' advanced notifications have not been given to all meetings of the Board. Reasons have been given in the notifications in respect of those meetings of the Board where it is not practical to give 14 days' advanced notification. The Board will use its best endeavor to give 14 days' advanced notifications of Board meeting to the extent practicable.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Company continued to adopt a code of conduct regarding Director's securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct regarding securities transactions by the Directors for the three months ended 30 June 2020.

COMPETING INTEREST

During the three months ended 30 June 2020, none of the Directors or management shareholders of the Company (as defined in the GEM Listing Rules) had any interests in any business that competed or may compete with the business of the Group.

PURCHASES, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the three months ended 30 June 2020.

AUDIT COMMITTEE

The primary duties of the Audit Committee are to review the Group's annual report and accounts, half-year report and quarterly reports and to provide advice and comments thereon to the Board and to review and to provide the oversight of the financial reporting system, risk management and internal control system of the Group.

During the Period, the Audit Committee consists of three independent non-executive Directors, namely Mr. Lee Chi Hwa Joshua ("Mr. Lee"), Dr. Antonio Maria Santos and Mr. Wong Ching Keung. Mr. Lee is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited first quarterly report and results for the three months ended 30 June 2020, and was of opinion that the preparation of such report and results complied with applicable accounting standards and the GEM Listing Rules and that adequate disclosure had been made.

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

Hong Kong, 14 August 2020

As of the date of this report, the executive Directors are Mr. Guo Gelin, Mr. Chow Chi Wah Vincent and Mr. Hu Chao; and the independent non-executive Directors are Mr. Lee Chi Hwa Joshua, Mr. Wong Ching Keung and Dr. Antonio Maria Santos.