



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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 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 (the “Main Board”) and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors (the “Director(s)”) of Farnova Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particular 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 announcement 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 announcement misleading.

ANNUAL RESULTS

The board of Directors (the “Board”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2020 together with comparative figures for the year ended 31 March 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Continuing operations			
Revenue	4	20,534	28,061
Cost of sales and services		(17,000)	(23,741)
Gross profit		3,534	4,320
Other income		8	814
Other loss		(13,496)	(12,461)
Distribution costs		–	(169)
Administrative expenses		(23,144)	(13,744)
Net fair value loss on financial assets at fair value through profit or loss		(1,207)	(1,282)
Finance costs	5	(14,366)	(27,994)
Loss before income tax	6	(48,671)	(50,516)
Income tax credit	7	–	20
Loss for the year from continuing operations		(48,671)	(50,496)

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Discontinued operation			
Loss for the year from discontinued operations	8	<u>–</u>	<u>(259)</u>
Loss for the year		<u>(48,671)</u>	<u>(50,755)</u>
Loss for the year attributable to owners of the Company			
– Continuing operations		<u>(48,147)</u>	<u>(50,363)</u>
– Discontinued operations		<u>–</u>	<u>(259)</u>
Loss for the year attributable to owners of the Company		<u>(48,147)</u>	<u>(50,622)</u>
Loss for the year attributable to non-controlling interests			
– Continuing operations		<u>(524)</u>	<u>(133)</u>
Loss per share			
From continuing and discontinued operations	9		
– Basic		<u>(1.21)</u>	<u>(2.18)</u>
– Diluted		<u>(1.21)</u>	<u>(2.18)</u>
From continuing operations			
– Basic		<u>(1.21)</u>	<u>(2.17)</u>
– Diluted		<u>(1.21)</u>	<u>(2.17)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year	<u>(48,671)</u>	<u>(50,755)</u>
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	<u>(423)</u>	<u>774</u>
Total comprehensive expense for the year	<u>(49,094)</u>	<u>(49,981)</u>
Total comprehensive expenses attributable to:		
– Owners of the Company	(48,589)	(50,089)
– Non-controlling interests	<u>(505)</u>	<u>108</u>
	<u>(49,094)</u>	<u>(49,981)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		58	2,220
Right-of-use assets		54	–
Other intangible assets		–	104
Investment in an associate		–	–
Deferred tax assets		–	–
		<hr/>	<hr/>
		112	2,324
Current assets			
Loan receivables		–	4,416
Trade receivable	<i>11</i>	10,000	25,440
Prepayments, deposits and other receivables		534	6,738
Financial assets at fair value through profit or loss		202	3,160
Cash and cash equivalents		149	2,220
		<hr/>	<hr/>
		10,885	41,974

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Current liabilities			
Trade payables	12	7,677	18,890
Other payables and accruals		23,094	16,163
Amount due to a non-controlling shareholder of a subsidiary		4,198	709
Amount due to a director		820	1,120
Borrowings		16,366	20,818
Convertible bonds		80,753	–
Lease liabilities		25	–
Tax payable		2,235	2,235
		<u>135,168</u>	<u>59,935</u>
Net current liabilities		<u>(124,283)</u>	<u>(17,961)</u>
Total assets less current liabilities		<u>(124,171)</u>	<u>(15,637)</u>
Non-current liabilities			
Convertible bonds		–	162,630
Bond and interest payable		3,938	–
		<u>3,938</u>	<u>162,630</u>
Net liabilities		<u><u>(128,109)</u></u>	<u><u>(178,267)</u></u>
EQUITY			
Capital and reserves			
Share capital		1,961	1,072
Reserves		(125,928)	(171,725)
Equity attributable to owners of the Company		(123,967)	(170,653)
Non-controlling interests		(4,142)	(7,614)
Capital deficiency		<u><u>(128,109)</u></u>	<u><u>(178,267)</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Farnova Group Holdings Limited (formerly known as Code Agriculture (Holdings) Limited) (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 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 2007, 20th Floor, C C Wu Building, 302-308 Hennessy Road, Wan Chai, Hong Kong.

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in notes to the consolidated financial statements.

2. BASIS OF PREPARATION

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which includes all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), and accounting principles generally accepted in Hong Kong. In addition, these consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) and by the disclosure requirement of the Hong Kong Companies Ordinance (“HKCO”).

These consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments measured at fair values as explained in the accounting policies set out below. These consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (“HK\$’000”) except when otherwise indicated.

Going concern basis

In preparing the consolidated financial statements, the directors of the Company (the “Directors”) have given careful consideration to the future liquidity and performance of the Group in light of the fact that as at 31 March 2020, the Group had net current liabilities of approximately HK\$124,283,000 and a capital deficiency of approximately HK\$128,109,000.

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) possible fund raising activities including, but not limited to placing, rights issues or open offer and issuance of convertible bonds are to be attempted;
- (b) 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
- (c) 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 a 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 basis, 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.

(b) New and Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has adopted the following amended HKFRSs and HKASs issued by the HKICPA for the first time in the current year.

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

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

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 year. HKFRS 16 superseded HKAS 17 Leases (“HKAS 17”), and the related interpretations.

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

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 1 April 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 April 2019. Any difference at the date of initial application is recognised in the opening accumulated losses 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 relevant incremental borrowing rates to each lease contract; and
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.

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

The Group recognised lease liabilities of approximately HK\$467,000 and right-of-use assets of approximately HK\$431,000 at 1 April 2019.

When recognising the lease liabilities for leases previously classified as operating leases and obligation under finance leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 18%.

	At 1 April 2019 <i>HK\$'000</i>
Operating lease commitments disclosed as at 31 March 2019	1,006
Less: Commitments relating to lease exempt from capitalisation: short-term leases and other leases with remaining lease term ending on or before 31 March 2019	(398)
Discounting effect using the incremental borrowing rate as at 1 April 2019	(141)
	<hr/>
Lease liabilities recognised as at 1 April 2019	<u>467</u>
Analysed as	
Current	442
Non-current	25
	<hr/>
	<u>467</u>

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	<i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	<u>431</u>

The following tables summarise the impacts of applying HKFRS 16 as a lessee on the Group's consolidated statement of financial position as at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported at 31 March 2019 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amount under HKFRS 16 at 1 April 2019 <i>HK\$'000</i>
Non-current assets			
Right-of-use assets	–	431	431
Current liabilities			
Lease liabilities	–	442	442
Non-current liabilities			
Lease liabilities	–	25	25
	<u>–</u>	<u>25</u>	<u>25</u>

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening statement of financial position as at 1 April 2019 as disclosed above.

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 April 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 April 2019. However, effective 1 April 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

Transition to HKFRS 16 does not have impact on accumulated losses at 1 April 2019.

(c) **New and Amendments to HKFRSs in Issue But Not Yet Effective**

The Group has not early applied the following new and revised HKFRSs and HKASs that have been issued but are not yet effective.

HKFRS 17	Insurance Contracts ³
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associates or Joint Venture ⁵
Amendments to HKFRS 16	COVID-19 Related Rent Concessions ⁴
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

³ Effective for annual periods beginning on or after 1 January 2021

⁴ Effective for annual periods beginning on or after 1 June 2020

⁵ Effective for annual periods beginning on or after a date to be determined

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the “New Framework”) and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. 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) Advertising: provision of advertising and movie production and distribution in Hong Kong;
- (b) Money lending: provision of mortgage loans and short- term loans in Hong Kong; and
- (c) Securities investments: investments and trading of securities in Hong Kong.

During the year ended 31 March 2019, the Group disposed of the entire equity interests in Super Car Service Company Limited which engaged in provision of car beauty and maintenance services in Hong Kong. Accordingly, the Group's car beauty operation was treated as discontinued operation. The segment information reported below does not include any amounts for the discontinued operation which is disclosed in notes to consolidated financial statement.

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 assets exclude deferred tax assets, corporate and unallocated assets and assets relating to discontinued operation.

Segment liabilities exclude deferred tax liabilities, convertible bonds, corporate and unallocated liabilities and liabilities relating to discontinued operation.

(a) **Segment Results**

For the year ended 31 March 2020

	Advertising <i>HK\$'000</i>	Money landing <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
Sales to external customers	<u>20,000</u>	<u>534</u>	<u>–</u>	<u>20,534</u>
Segment results	<u>(7,315)</u>	<u>(4,436)</u>	<u>(1,210)</u>	<u>(12,961)</u>
Reconciliation:				
Unallocated gains				8
Finance costs				(14,366)
Corporate and other unallocated expenses				<u>(21,352)</u>
Loss before income tax				<u>(48,671)</u>

For the year ended 31 March 2019

	Advertising <i>HK\$'000</i>	Money landing <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
Sales to external customers	<u>27,623</u>	<u>438</u>	<u>–</u>	<u>28,061</u>
Segment results	<u>3,895</u>	<u>425</u>	<u>–</u>	<u>4,320</u>
Reconciliation:				
Interest income				1
Unallocated gains				813
Finance costs				(27,994)
Corporate and other unallocated expenses				<u>(27,656)</u>
Loss before income tax				<u>(50,516)</u>

(b) Segment Assets and Liabilities

At 31 March 2020

	Advertising <i>HK\$'000</i>	Money landing <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>10,255</u>	<u>11</u>	<u>243</u>	10,509
Reconciliation:				
Corporate and other unallocated assets				<u>488</u>
Total assets				<u>10,997</u>
Segment liabilities	<u>9,912</u>	<u>8</u>	<u>1,069</u>	10,989
Reconciliation:				
Convertible bonds				80,753
Corporate and other unallocated liabilities				<u>47,364</u>
Total liabilities				<u>139,106</u>

At 31 March 2019

	Advertising <i>HK\$'000</i>	Money landing <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>27,700</u>	<u>4,427</u>	<u>5,282</u>	37,409
Reconciliation: Corporate and other unallocated assets				<u>6,889</u>
Total assets				<u>44,298</u>
Segment liabilities	<u>25,324</u>	<u>8</u>	<u>2,883</u>	28,215
Reconciliation: Convertible bonds Corporate and other unallocated liabilities				<u>162,630</u> <u>31,720</u>
Total liabilities				<u>222,565</u>

(c) **Other Segment Information**

For the year ended 31 March 2020

	Advertising <i>HK\$'000</i>	Money landing <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation	1,722	–	–	1,722
Unallocated depreciation				<u>725</u>
				<u>2,447</u>
Amortisation of other intangible assets	7			<u>7</u>

For the year ended 31 March 2019

	Advertising <i>HK\$'000</i>	Money landing <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation	42	–	–	42
Unallocated depreciation				<u>270</u>
				<u>312</u>
Amortisation of other intangible assets	3			<u><u>3</u></u>

Geographical information

The following table provides an analysis of the Group's revenue from external customers from continuing operations and non-current assets other than deferred tax assets.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from external customers		
Hong Kong	20,534	27,824
The PRC	–	237
	<u>20,534</u>	<u>28,061</u>
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets		
Hong Kong	112	218
The PRC	–	2,106
	<u>112</u>	<u>2,324</u>

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical and operating location of the assets. The Company is an investment holding company incorporated in Bermuda and operated in Hong Kong, while the Group has part of its operations and its workforce in the PRC, and therefore, the PRC is considered as the Group's country of domicile for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

Information about major customers

Revenue from customers of the year from continuing operations ended 31 March 2020 and 2019 contributing over 10% of the total revenue of the Group are generated from advertising business as follow:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	14,000	8,800
Customer B	<u>–</u>	<u>5,250</u>

4. REVENUE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations		
Film related business and advertising service income	20,000	27,623
Money lending income	534	438
	<u>20,534</u>	<u>28,061</u>
Timing of revenue recognition:		
A point in time	–	–
Over the time	20,000	27,623
	<u>20,000</u>	<u>27,623</u>

The revenue from contracts with customer are solely derived from film related business and advertising segment and under a point in time revenue recognition.

Transaction allocated to the remaining performance obligation for contracts with customers

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its services income from film related business and advertising business such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contract for advertising that had an original expected duration of one year or less.

Segment	For the year ended 31 March 2020		For the year ended 31 March 2019	
	Film related business and advertising HK\$'000	Money Lending HK\$'000	Film related business and advertising HK\$'000	Money Lending HK\$'000
Revenue disclosed in segment information				
External customer and total	<u>20,000</u>	<u>–</u>	<u>27,623</u>	<u>–</u>
Revenue from contracts with customers	20,000	–	27,623	–
Interest income	<u>–</u>	<u>534</u>	<u>–</u>	<u>438</u>
	<u>20,000</u>	<u>534</u>	<u>27,623</u>	<u>438</u>

5. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Continuing operations		
Interest on other loans wholly repayable within five years	3,599	4,925
Interest on bond	238	–
Interest on convertible bonds	10,493	24,778
Interest on lease liabilities	36	–
Fair value change in extinguishment of liability portion of convertible bonds	<u>–</u>	<u>(1,709)</u>
	<u>14,366</u>	<u>27,994</u>

6. LOSS BEFORE INCOME TAX

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Employee benefit expense		
(including directors' remuneration)		
Salaries, wages and other benefits	6,472	7,919
Retirement benefit scheme contributions	120	156
	<u>6,592</u>	<u>8,075</u>
(b) Other items		
Depreciation of items of property, plant and equipment	2,070	312
Amortisation of intangible assets	7	3
Amortisation of right-of-use assets	377	–
Loss on disposal of items of property, plant and equipment	–	324
Write-off of items of property, plant and equipment	–	26
Minimum lease payments under operating leases in respect of land and buildings	–	1,402
Auditors' remuneration		
– Current year	<u>690</u>	<u>630</u>

7. INCOME TAX CREDIT

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax		
Hong Kong Profit tax		
Over-provision in respect of prior year	<u> -</u>	<u> 20</u>

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

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 years ended 31 March 2020 and 2019.

The directors considered the amount involved upon implementation of the two-tiered profit tax rates regime as insignificant to the consolidated financial statements. Hong Kong Tax is calculated at 16.5% of the estimated assessable profit for both years.

8. DISCONTINUED OPERATION

On 31 October 2018, the Group entered into a sales and purchase agreement with an independent third party for disposal of the Group’s entire equity interests in Super Car Service Company Limited, which were engaged in car beauty and maintenance in Hong Kong. The transaction was completed on 31 October 2018.

The loss for the period/year from the discontinued car beauty operation is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the car beauty operation as a discontinued operation.

	Period ended 31 October 2018 <i>HK\$'000</i>
Loss of car beauty operation for the period/year	(203)
Loss on disposal of car beauty operation	<u> (56)</u>
	<u> (259)</u>

The results of the Disposal Subsidiary for the period from 1 April 2018 to 31 October 2018, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows.

	Period ended 31 October 2018 HK\$'000
Revenue	1,324
Cost of sales	<u>(1,062)</u>
Gross profit	262
Administrative expenses	<u>(479)</u>
Loss before tax	(217)
Deferred tax	<u>14</u>
Loss for the year	<u>(203)</u>
Loss for the year from discontinued Operations including the following:	
Depreciation	40
Amortisation	53
Minimum lease payments under operating leases in respect of land and buildings	332
Salaries wages and other benefits	856
Retirement benefit scheme contributions	27
Write-off of items of property, plant and equipment	35
Write-off of inventory	<u>2</u>

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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 year.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss		
Loss attributable to owners of the Company		
– From continuing operations	(48,147)	(50,363)
– From discontinued operation	<u>–</u>	<u>(259)</u>
	<u>(48,147)</u>	<u>(50,622)</u>
Number of shares	'000	'000
Weighted average number of ordinary shares in issue	<u>3,897,964</u>	<u>2,322,731</u>

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 March 2020 and 2019 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect.

10. DIVIDEND

The Board does not recommend the payment of any dividend for the financial year ended 31 March 2020 (2019: nil).

11. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	31,364	40,265
Less: Allowance for credit losses	<u>(21,364)</u>	<u>(14,825)</u>
	<u>10,000</u>	<u>25,440</u>

Aging analysis

The Group's credit terms with its customers generally range from 30 days to 180 days (2019: 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current	–	1,234
Within 30 days	–	–
31–90 days	5,000	4,986
91–180 days	5,000	1,425
Over 180 days	–	17,795
	<hr/> 10,000 <hr/>	<hr/> 25,440 <hr/>

12. TRADE PAYABLES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	–	9,950
31–90 days	–	4,800
91–180 days	–	2,044
Over 180 days	7,677	2,096
	<hr/> 7,677 <hr/>	<hr/> 18,890 <hr/>

The Group's credit terms generally range from 30 to 60 days (2019: 30 to 60 days) from the invoice date.

13. CONTINGENT LIABILITIES

No contingent liabilities of the Group were noted at 31 March 2020 and 2019.

14. EVENTS AFTER REPORTING PERIOD

1. On 5 December 2019, the Company and Shenzhen Haidemu Green Technology Company Limited* (深圳市海德姆環保科技有限公司), an indirect wholly owned subsidiary of the Company entered into the agreement to acquire 55% equity interest of Shenzhen Fa Nuo Xin Neng Yuan Qi Che Holdings Company Limited* (深圳法諾新能源汽車控股有限公司) (the “Target Company”), a limited liability company established under the laws of the PRC at a total consideration of HK\$41,000,000, the consideration will be satisfied by issuance of convertible bond. On 29 May 2020, the Company entered into a supplemental agreement to amend certain terms of the agreement dated 5 December 2019.

Pursuant to the agreement, If the aggregate audited consolidated net profit after tax (excluding extraordinary or exceptional items of the Target Company) for the year ending 31 December 2020 (i.e. Actual Profit) shall be less than the guaranteed profit, the principal amount of the convertible bonds shall be reduced in accordance to the formula designated in the agreement accordingly.

Up to the date of this announcement, this proposed acquisition is still under the progress. Further details of the above possible acquisition were set out in the announcements of the Company dated 5 December 2019 and 29 May 2020

2. With effective on 1 June 2020, the English name of the Company has been changed and registered from “Code Agriculture (Holdings) Limited” to “Farnova Group Holdings Limited” and the secondary name of the Company in Chinese has been changed and registered from “科地農業控股有限公司” to “法諾集團控股有限公司”

The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 18 May 2020, certifying that the new English and Chinese names of the Company has been registered in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The English stock short name and Chinese stock short name of the Company will be changed from “CODE AGRI” to “FARNOVA GROUP” and the Chinese stock short name of the Company will be changed from “科地農業” to “法諾集團” for trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 1 June 2020. The stock code of the Company on the Stock Exchange “8153” remains unchanged.

Details of the change of Company name are set out in the announcements of the Company dated 5 February 2020, 27 March 2020 and 29 April 2020 and 25 May 2020 and the circular of the Company dated 6 March 2020.

3. Since January 2020, the outbreak of Novel Coronavirus (“COVID-19”) has impact on the global business environment. Pending the development and spread of COVID-19 subsequent to the date of this announcement, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this report. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

Basis for disclaimer of opinion

Multiple uncertainties related to the going concern basis

As disclosed in note 2 to consolidated financial statements, the Group had net current liabilities of approximately HK\$124,283,000 and capital deficiency of approximately HK\$128,109,000 as at 31 March 2020. The existence of these uncertainties casts significant doubt on the Group's ability to continue as going concern.

The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern, the validity of which is dependent on the favourable outcomes of the steps being taken by the directors as described in note 2 to the consolidated financial statements. However, we were unable to obtain sufficient audit evidence to assess the appropriateness and validity of the going concern assumption. Should the going concern assumption be inappropriate, adjustments would have to be made to reclassify all non-current assets and liabilities as current assets and liabilities, write down the value of assets to their recoverable amounts and to provide for any further liabilities which may arise. These consolidated financial statements do not include any of those adjustments.

DISCLAIMER OF OPINION

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group derives its revenue mainly from: (i) advertising in Hong Kong and the PRC; (ii) money lending business in Hong Kong; and (iii) securities investments in Hong Kong.

The Group's revenue for the Year amounted to approximately HK\$20.5 million, representing a decrease of 26.8% as compared to that of approximately HK\$28.1 million for the Preceding Year. The Group's loss for the Year decreased by 4.1% to approximately HK\$48.7 million, as compared to approximately HK\$50.8 million for the Preceding Year. Such decrease was mainly attributable to the significant decrease in financial cost.

SEGMENTAL ANALYSIS

Advertising

The Group recorded revenue of approximately HK\$20.0 million from this operation for the Year, as compared to revenue of approximately HK\$27.6 million for the Preceding Year. The decrease was mainly due to the fact that the Group is more focused on the development of advertisement campaign in Hong Kong, as the three television channels of the Group in Hunan were stopped due to some changes in national policies in the PRC. The Group is working with the local media production houses to conduct stage shows within shopping malls in Hong Kong and expands its media resources. The expansion of media resources allow the Group to offer its advertising customers with a wider range of advertising solutions, including various advertising media, forms and formats that cater to different target audiences.

Money lending

Revenue of approximately HK\$534,000 from this operation for the Year, as compared to revenue of approximately HK\$438,000 for the Preceding Year. The increase in revenue was mainly due to accumulated unpaid interest incurred with the Preceding Year. As at 31 March 2020, gross loan receivables amounted to Nil (2019: approximately HK\$4.4 million).

Securities investments

Details of investments in equity securities listed in Hong Kong held by the Group during the Year are as follows:

Stock Code	Stock Abbreviation	Number of shares held as at 31 March 2020	Fair value as at 31 March 2020 HK\$'000	Gain (losses) during the Year HK\$'000
8103	Hmvod Limited	900,000	142	(1,267)
8173	Union Asia Enterprise Holding Limited	2,050,400	60	60
		<u>2,950,400</u>	<u>202</u>	<u>(1,207)</u>

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by 26.8% to approximately HK\$20.5 million for the Year, as compared to that of approximately HK\$28.1 million for the Preceding Year. The significant decrease in revenue was mainly attributable to decrease in revenue contributed by the advertising segment.

Cost of sales and services

The cost of sales and services was 28.4% to approximately HK\$17.0 million for the Year, as compared to that of approximately HK\$23.7 million for the Preceding Year. Such decrease was along with the drop in revenue for the Year.

Gross Profit and gross profit margin

The Group's gross profit decreased by 18.2% to approximately HK\$3.5 million for the Year, as compared to that of approximately HK\$4.3 million for the Preceding Year. Such decrease was in line with the drop in revenue for the Year. The Group's gross profit margin was 17.2% for the Year.

Distribution costs

No distribution costs incurred for the Year, as compared to that of approximately HK\$169,000 for the Preceding Year.

Administrative expenses

Administrative expenses for the Year were increased by 68.4% to approximately HK\$23.1 million, as compared to approximately HK\$13.7 million for the Preceding Year. Administrative expenses mainly consist of staff costs, depreciation, operating lease rentals for office and legal and professional fees. The Group will continue to adopt the stringent cost controls in the forthcoming periods.

Finance costs

The Group recorded finance costs of approximately HK\$14.4 million for the Year, as compared to approximately HK\$28.0 million for the Preceding Year. 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 2019 with the effective interest rates of 10.5% and 9.2% per annum respectively.

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

The Group recorded a loss for the Year of approximately HK\$48.7 million, as compared to approximately HK\$50.8 million for the Preceding Year. Loss attributable to owners of the Company for the Year was approximately HK\$48.1 million, as compared to approximately HK\$50.3 million for the Preceding Period. The basic and diluted loss per share of the Group for the Period were HK cents 1.21, as compared to HK cents 2.18 and 2.17 respectively for the Preceding Period.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, the Group's cash and cash equivalents amounted to approximately HK\$149,000 (2019: HK\$2.2 million). The Group's current ratio, being the current assets of approximately HK\$10.9 million (2019: HK\$42.0 million) divided by the current liabilities of approximately HK\$135.0 million (2019: HK\$60.0 million), was computed as approximately 0.08 (2019: 0.70). The management viewed that the ratio was not healthy and acceptable and will try to improve the overall financial soundness and sustainability of the Group.

The Group's total indebtedness comprised the amount due to a non-controlling shareholder of a subsidiary, borrowings, bond payable and convertible bonds with the total amount of approximately HK\$106.0 million (2019: approximately HK\$185.3 million). The gearing ratio of the Group, being the total indebtedness divided by total assets excluding deferred tax assets and liabilities was 972.5% (2019: 419.2%) as at 31 March 2020. The decremental of the ratio was mainly due to the decrease of trade receivable, financial assets at fair value through profit or loss and cash and cash equivalents of approximately HK\$15.4 million, HK\$3 million and approximately HK\$2.1 million respectively.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE AND TREASURY POLICIES

The majority of the Group's cash balances and transactions were either denominated in Renminbi or Hong Kong dollars. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. As at 31 March 2020 and 2019, the Group did not have any outstanding hedging instruments.

CAPITAL STRUCTURE

As at 31 March 2020, the number of issued ordinary shares of the Company was 4,902,391,929 shares (2019: 2,680,475,222 shares). Additional shares may be issued by way of (i) conversion of the convertible bonds which if fully converted would result in the issuance of 1,660,000,000 shares of the Company; (ii) bond interest payments which if fully paid would result in the issuance of 109,916,707 shares of the Company, and (iii) share issued under general mandate which if fully paid would result in the issuance of 452,000,000 shares of the Company.

HUMAN RESOURCES

As at 31 March 2020, the Group had a total of 16 (2019: 47) full-time employees including the Directors. Such decrease was primarily attributable to the reduction in the number of staff in the PRC's subsidiaries as a result of cost control and down sizing of business. Total staff costs from continuing operations for the Year, including director's emoluments, were approximately HK\$6.5 million (2019: approximately HK\$8.1 million).

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Group currently does not have any firm intention or specific plans for material investment or capital assets. Apart from strengthening the Group's current business, the Group will explore new business opportunities which may benefit the Shareholders.

PLEDGE OF ASSETS

The Group did not pledge any of its assets as securities for any facilities granted to the Group for the year ended 31 March 2020 and 2019.

CONTINGENT LIABILITY

The Group did not have any significant contingent liabilities as at 31 March 2020 and 2019.

CAPITAL COMMITMENT

The Group did not have any significant capital commitment as at 31 March 2020 and 2019.

PROSPECTS

Looking ahead, the changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this report. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

The cultural and media industry throughout the world, and especially in the People's Republic of China (the "PRC") is presented with an opportunity. The Company believes that due to the impact on the global business environment, 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.

DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 March 2020 (2019: Nil).

PURCHASE, REDEMPTION OR SALE OF SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and the code provisions (the "Code Provision") as set out in the CG Code as set out in Appendix 15 of the GEM Listing Rules. The principles adopted by the Company emphasize a quality board, sound internal controls and transparency and accountability to shareholders. In the opinion of the Board, the Company has complied with the CG Code for the year ended 31 March 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.

2. Code provision A.2.1 requires the roles of chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. With effect from 1 November 2018, the roles of chairman and chief executive is separated and were not performed by the same individual.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the directors, its employees, and the directors and employees of its subsidiaries and holding companies (the “Relevant Employees”), who may likely possess inside information on the Company or its securities, on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors and the Relevant Employees, they all confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the year.

COMPETING INTEREST

As at 31 March 2020, as far as the Directors are aware of, none of the Directors has an interest in a business that competed or may compete with the business of the Group.

AUDIT COMMITTEE

The Audit Committee comprises four members, namely, Mr. Lee Chi Hwa Joshua, Mr. Wong Ching Keung, Dr. Santos Antonio Maria and Mr. Luo Ji. All of them are independent non-executive Directors. The chairman of the Audit Committee is Mr. Lee Chi Hwa Joshua, who has extensive accounting and related financial reporting expertise. The Group’s unaudited quarterly and interim results and audited annual results and consolidated financial statements during the year ended 31 March 2020 have been reviewed by the Audit Committee, which is of opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

Discussion on disclaimer of opinion

The management of the Company have discussed with auditors and the auditor’s report on the consolidated financial statements of the Group for the year ended 31 March 2020 contained:

- 1) multiple uncertainties related to the going concern basis, details of which has been set out under basis for disclaimer of opinion in the independent auditor’s report. The Audit Committee regularly and critically review with any judgmental area.

For the year ended 31 March 2020, there are no disagreements between the Audit Committee and the management of the Company concerning the disclaimer of opinion.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 March 2020 as set out in the preliminary announcement have been agreed by the Group's auditors, Elite Partners CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Elite Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Elite Partners CPA Limited on this preliminary announcement.

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

Hong Kong, 4 September 2020

As of the date of this announcement, the executive Directors are Mr. Guo Gelin, Mr. Chow Chi Wah Vincent, Mr. Hu Chao and Mr. Mou Zhongwei; the non-executive Director is Mr. Wang Qiang; and the independent non-executive Directors are Mr. Lee Chi Hwa Joshua, Mr. Wong Ching Keung, Dr. Antonio Maria Santos and Mr. Luo Ji.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement 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 announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the GEM website <http://www.hkgem.com> for at least 7 days from the date of its publication. This announcement will also be published on the Company's website at <http://www.code-hk.com>.