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NEWAY GROUP HOLDINGS LIMITED
中星集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00055)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

The board (the "Board") of directors (the "Directors") of Neway Group Holdings Limited ("Neway" or the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group", "our Group", "we" or "us") for the year ended 31 December 2017 (the "Year"), together with the comparative figures for the year ended 31 December 2016 ("Year 2016") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	**2017** **HK$**	2016 HK$
Revenue	*3*	**515,533,643**	562,911,033
Gross proceeds from sale of held-for-trading investments		**142,428,282**	74,508,138
		657,961,925	637,419,171
Revenue	*3*	**515,533,643**	562,911,033
Cost of sales		**(356,859,195)**	(384,742,566)
Gross profit		**158,674,448**	178,168,467
Interest income		**1,932,508**	1,990,981
Other income		**3,168,076**	2,031,543
Selling and distribution expenses		**(26,041,840)**	(29,294,729)
Administrative expenses		**(123,099,454)**	(133,351,116)
Other gains and losses		**41,317,618**	72,586,955
Finance costs		**(2,509,172)**	(3,907,893)
Share of results of joint ventures		**(1,349,720)**	(1,500,119)

* *For identification purpose only*

	NOTES	2017 HK$	2016 HK$
Profit before taxation		**52,092,464**	86,724,089
Taxation	*4*	**(4,142,567)**	(12,720,487)
Profit for the year	*5*	**47,949,897**	74,003,602
Other comprehensive income (expense):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**40,699,906**	(26,715,082)
Items that will not be reclassified to profit or loss:			
Surplus on transfer from property, plant and equipment to investment properties		**9,371,865**	–
Deferred tax arising from transfer of property, plant and equipment to investment properties		**(2,342,966)**	–
		47,728,805	(26,715,082)
Total comprehensive income for the year		**95,678,702**	47,288,520
Profit (loss) for the year attributable to:			
Owners of the Company		**48,145,604**	74,205,738
Non-controlling interests		**(195,707)**	(202,136)
		47,949,897	74,003,602
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**94,849,265**	48,443,936
Non-controlling interests		**829,437**	(1,155,416)
		95,678,702	47,288,520
Earnings per share			
Basic	*7*	**18.98 HK cents**	33.60 HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	NOTES	2017 HK$	2016 HK$
Non-current assets			
Property, plant and equipment		**125,412,446**	136,221,165
Prepaid lease payments		**63,444,314**	28,767,708
Investment properties		**229,165,879**	190,125,000
Deposits for land use rights		**–**	17,378,953
Available-for-sale investments		**24,870,548**	41,735,027
Loans to joint ventures	*8*	**–**	2,216,491
Interests in joint ventures	*8*	**421,268**	424,647
Deposit paid for acquisition of property, plant and equipment		**5,543,984**	1,370,661
		448,858,439	418,239,652
Current assets			
Inventories and record masters		**42,551,931**	35,340,492
Properties under development for sale		**45,351,716**	42,309,793
Held-for-trading investments		**107,374,656**	132,247,356
Derivative financial instrument		**7,851,180**	10,416,328
Available-for-sale investments		**14,192,719**	–
Trade and other receivables, prepayments and deposits	*9*	**200,166,882**	175,947,838
Loan to an available-for-sale investee		**–**	31,256,977
Loans to joint ventures	*8*	**3,874,009**	3,864,955
Loans receivable		**31,055,801**	36,785,343
Prepaid lease payments		**1,345,094**	665,931
Amount due from a related company		**1,310,456**	1,481,546
Tax recoverable		**–**	349,534
Short-term bank deposits		**102,879,162**	61,766,602
Cash and cash equivalents		**199,687,987**	165,573,968
		757,641,593	698,006,663

	NOTE	2017 HK$	2016 HK$
Current liabilities			
Trade and other payables and accruals	*10*	**102,238,651**	99,195,766
Tax liabilities		**4,656,583**	907,785
Amount due to a non-controlling shareholder of a subsidiary		**18,011,527**	16,744,809
Amount due to a related company		**903,191**	11,536,034
Obligations under finance leases – due within one year		**182,179**	236,890
Bank borrowings		**59,892,800**	61,343,200
		185,884,931	189,964,484
Net current assets		**571,756,662**	508,042,179
Total assets less current liabilities		**1,020,615,101**	926,281,831
Non-current liabilities			
Amount due to a related company		**380,146**	422,940
Deferred taxation		**10,722,401**	11,842,860
Obligations under finance leases – due after one year		**–**	182,179
		11,102,547	12,447,979
Net assets		**1,009,512,554**	913,833,852
Capital and reserves			
Share capital		**2,536,395**	2,536,395
Reserves		**1,008,687,044**	913,837,779
Total attributable to owners of the Company		**1,011,223,439**	916,374,174
Non-controlling interests		**(1,710,885)**	(2,540,322)
Total equity		**1,009,512,554**	913,833,852

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to the owners of the Company										
	Share capital	Share premium	Deemed contribution from a shareholder	Capital redemption reserve	Contributed surplus	Properties valuation reserve	Translation reserve	Retained profits	Total	Non-controlling interests	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1 January 2016	105,684,728	349,902,265	188,956,957	62,400	–	56,223,266	25,878,262	121,752,798	848,460,676	(1,384,906)	847,075,770
Profit (loss) for the year	–	–	–	–	–	–	–	74,205,738	74,205,738	(202,136)	74,003,602
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(25,761,802)	–	(25,761,802)	(953,280)	(26,715,082)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(25,761,802)	74,205,738	48,443,936	(1,155,416)	47,288,520
Effect of capital reduction	(103,571,033)	–	–	–	103,571,033	–	–	–	–	–	–
Issue of new shares	422,700	19,444,200	–	–	–	–	–	–	19,866,900	–	19,866,900
Transaction costs attributable to issue of new shares	–	(397,338)	–	–	–	–	–	–	(397,338)	–	(397,338)
At 31 December 2016	2,536,395	368,949,127	188,956,957	62,400	103,571,033	56,223,266	116,460	195,958,536	916,374,174	(2,540,322)	913,833,852
Profit (loss) for the year	–	–	–	–	–	–	–	48,145,604	48,145,604	(195,707)	47,949,897
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	39,674,762	–	39,674,762	1,025,144	40,699,906
Surplus on transfer from property, plant and equipment to investment properties	–	–	–	–	–	9,371,865	–	–	9,371,865	–	9,371,865
Deferred tax arising from transfer of property, plant and equipment to investment properties	–	–	–	–	–	(2,342,966)	–	–	(2,342,966)	–	(2,342,966)
Other comprehensive income for the year	–	–	–	–	–	7,028,899	39,674,762	–	46,703,661	1,025,144	47,728,805
Total comprehensive income for the year	–	–	–	–	–	7,028,899	39,674,762	48,145,604	94,849,265	829,437	95,678,702
At 31 December 2017	2,536,395	368,949,127	188,956,957	62,400	103,571,033	63,252,165	39,791,222	244,104,140	1,011,223,439	(1,710,885)	1,009,512,554

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company acts as an investment holding company.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	As part of annual improvements to HKFRSs 2014 – 2016 cycle

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance contracts[4]
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration[1]
HK(IFRIC) – Int 23	Uncertainty over income tax treatments[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"[1]
Amendments to HKFRS 9	Prepayment features with negative compensation[2]

Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 28	Long-term interests in associates and joint ventures[2]
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014 – 2016 cycle[1]
Amendments to HKAS 40	Transfers of investment property[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015 – 2017 cycle[2]

[1] *Effective for annual periods beginning on or after 1 January 2018*

[2] *Effective for annual periods beginning on or after 1 January 2019*

[3] *Effective for annual periods beginning on or after a date to be determined*

[4] *Effective for annual periods beginning on or after 1 January 2021*

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold and services provided by the Group, less discounts and sales related taxes during the year.

Segment revenue and results

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group's reportable and operating segments are therefore as follows:

(a) Sales of gaming machines ("Gaming Distribution Business");

(b) Money lending ("Lending Business");

(c) Manufacturing and sales of printing products ("Manufacturing and Sales Business");

(d) Artistes management, production and distribution of music albums and movies ("Music and Entertainment Business");

(e) Property development and investment ("Property Business"), including properties development projects and properties leasing and investments in the People's Republic of China (the "PRC"), mini storage business and office leasing and properties leasing and investment in Hong Kong;

(f) Securities trading ("Securities Trading Business"); and

(g) Trading of printing products ("Trading Business").

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

	Revenue		Segment profit (loss)	
	2017	2016	**2017**	2016
	HK$	*HK$*	***HK$***	*HK$*
Gaming Distribution Business	**1,513,933**	88,319	**(27,552,115)**	(19,795,026)
Lending Business	**4,611,231**	8,215,087	**2,211,095**	3,320,390
Manufacturing and Sales Business	**458,620,260**	492,941,761	**43,407,080**	58,337,913
Music and Entertainment Business	**10,513,580**	27,039,363	**(2,882,781)**	659,976
Property Business	**6,500,175**	1,713,770	**16,140,229**	(6,608,054)
Securities Trading Business	**–**	–	**(17,682,487)**	68,591,575
Trading Business	**33,774,464**	32,912,733	**2,332,176**	2,086,385
Total	**515,533,643**	562,911,033	**15,973,197**	106,593,159
Bank interest income			**1,339,407**	1,195,950
Unallocated corporate expenses			**(11,828,168)**	(15,480,164)
Gain on land swap transaction			**46,611,407**	–
Impairment loss recognised in respect of an available-for-sale investment			**–**	(5,581,603)
Unallocated share of results of joint ventures			**(3,379)**	(3,253)
Profit before taxation			**52,092,464**	86,724,089

All of the segment revenue reported above is from external customers.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned/loss incurred by each segment without allocation of bank interest income, unallocated corporate expenses, gain on land swap transaction, impairment loss recognised in respect of an available-for-sale investment, unallocated share of results of joint ventures and taxation. This is the measure reported to the Group's management for the purposes of resources allocation and performance assessment.

Segment assets and liabilities

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

As at 31 December 2017

	Gaming Distribution Business *HK$*	**Lending Business** *HK$*	**Manufacturing and Sales Business** *HK$*	**Music and Entertainment Business** *HK$*	**Property Business** *HK$*	**Securities Trading Business** *HK$*	**Trading Business** *HK$*	**Consolidated** *HK$*
Segment assets	**3,537,434**	**32,539,044**	**308,153,073**	**10,825,137**	**309,532,191**	**130,840,443**	**17,854,635**	**813,281,957**
Other assets								**393,218,075**
Consolidated assets								**1,206,500,032**
Segment liabilities	**764,250**	**1,898,622**	**117,970,294**	**3,971,587**	**45,109,287**	**130,000**	**10,060,787**	**179,904,827**
Other liabilities								**17,082,651**
Consolidated liabilities								**196,987,478**

As at 31 December 2016

	Gaming Distribution Business *HK$*	Lending Business *HK$*	Manufacturing and Sales Business *HK$*	Music and Entertainment Business *HK$*	Property Business *HK$*	Securities Trading Business *HK$*	Trading Business *HK$*	Consolidated *HK$*
Segment assets	8,253,558	37,294,789	285,627,273	12,881,213	291,477,500	148,337,998	15,762,384	799,634,715
Other assets								316,611,600
Consolidated assets								1,116,246,315
Segment liabilities	363,124	11,505,016	119,097,575	9,194,593	45,000,946	30,360	3,116,159	188,307,773
Other liabilities								14,104,690
Consolidated liabilities								202,412,463

For the purposes of monitoring segment performance and allocating resources among segments:

- all assets are allocated to operating and reportable segments other than certain interest in a joint venture, certain loans to a joint venture and an available-for-sale investee, certain available-for-sale investments, certain other receivables, prepayments and deposits, tax recoverable, short-term bank deposits and cash and cash equivalents.

- all liabilities are allocated to operating and reportable segments other than certain other payables and accruals, tax liabilities and deferred taxation.

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2017	2016
	HK$	*HK$*
Artistes management fee income	**1,578,804**	1,309,737
Concerts and shows income	**2,189,293**	17,491,920
Income from the licensing of the musical works	**3,698,379**	4,174,044
Loan interest income from Lending Business	**4,611,231**	8,215,087
Other music and entertainment services	**176,505**	1,119,407
Sales of printing products	**492,394,724**	525,854,494
Promotion income	**1,055,143**	1,453,718
Rental income	**6,500,175**	1,713,770
Sales of albums	**1,815,456**	1,490,537
Sales of gaming machines	**1,513,933**	88,319
	515,533,643	562,911,033

Geographical information

The Group's income from Manufacturing and Sales Business and Property Business is mainly derived from Hong Kong and the PRC. The Group's income from Lending Business, Trading Business, Music and Entertainment Business and Securities Trading Business are derived from Hong Kong. The Group's income from Gaming Distribution Business is derived from outside Hong Kong.

The Group's revenue from external customers and information about non-current assets by geographical location of the customers and assets respectively are set out below:

	Revenue from external customers		**Non-current assets**	
	2017	2016	**2017**	2016
	HK$	*HK$*	***HK$***	*HK$*
Hong Kong	**244,837,558**	272,421,151	**225,561,412**	205,685,947
The PRC	**139,952,285**	169,249,675	**198,426,479**	168,602,187
Europe	**45,446,256**	54,614,355	**–**	–
United States	**49,270,510**	39,849,765	**–**	–
Others	**36,027,034**	26,776,087	**–**	–
	515,533,643	562,911,033	**423,987,891**	374,288,134

Note: Non-current assets exclude available-for-sale investments and loans to joint ventures.

Information about major customers

There was no customer contributing over 10% of total sales of the Group for the year ended 31 December 2017 and 2016.

4. TAXATION

	2017	2016
	HK$	*HK$*
The taxation comprises:		
Hong Kong Profits Tax		
Charge for the year	**1,687,471**	1,051,300
Underprovision in prior years	**–**	50,275
	1,687,471	1,101,575
PRC Enterprise Income Tax		
Charge for the year	**5,918,521**	3,452,851
	7,605,992	4,554,426
Deferred tax (credit) charge for the year	**(3,463,425)**	8,166,061
	4,142,567	12,720,487

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

5. PROFIT FOR THE YEAR

	2017	2016
	HK$	*HK$*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,900,000**	1,800,000
Cost of inventories and record masters recognised as an expense (including write-down of inventories of HK$543,411 (2016: HK$268,039))	**356,859,195**	384,742,566
Depreciation of property, plant and equipment	**10,273,310**	11,174,567
Less: capitalised in inventories	**(5,901,425)**	(7,456,684)
	4,371,885	3,717,883
Amortisation of prepaid lease payments	**1,031,454**	718,048
Minimum lease payments in respect of office/factory premises	**12,540,307**	13,232,616
Staff costs including directors' emoluments		
– Salaries, wages and other benefits	**149,899,872**	171,467,227
– Contributions to retirement benefits schemes	**7,416,030**	9,424,545
Less: capitalised in inventories	**(78,907,026)**	(87,536,315)
	78,408,876	93,355,457
Research expense (included in administrative expenses)	**2,595,935**	8,057,556
Bank interest income (included in interest income)	**(1,356,683)**	(1,195,950)
Interest income on loan to an available-for-sale investee (included in interest income)	**(575,825)**	–
Effective interest income on loan to an available-for-sale investee (included in interest income)	**–**	(795,031)
Dividend income (included in other income)	**(1,518,823)**	(715,278)
Government grant (included in other income)	**(1,034,443)**	–
Gross rental income from investment properties	**(6,500,175)**	(1,713,770)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	**9,838**	54,072
	(6,490,337)	(1,659,698)

6. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2017 and 2016, nor has any dividend been proposed since the end of the reporting period.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company for the year is based on the following data:

	2017	2016
	HK$	*HK$*
Profit for the purpose of calculating basic earnings per share	**48,145,604**	74,205,738

	2017	2016
Weighted average number of ordinary shares in issue for the purpose of calculating basic earnings per share	**253,639,456**	220,839,784

No separate diluted earnings per share information has been presented as there were no potential ordinary shares outstanding for both 2017 and 2016.

8. LOANS TO JOINT VENTURES/INTERESTS IN JOINT VENTURES

	2017	2016
	HK$	*HK$*
Costs of investments in unlisted joint ventures	**16**	16
Share of post-acquisition profit and other comprehensive income	**421,252**	424,631
	421,268	424,647
Loan to Reliance Partner Limited	**3,874,009**	3,864,955
Loan to Estate Summit Limited	**12,554,385**	10,549,667
Share of post-acquisition losses and other comprehensive expense	**(4,411,177)**	(3,064,836)
Impairment loss recognised	**(8,143,208)**	(5,268,340)
	3,874,009	6,081,446
Less: Amount repayable within one year shown under current asset	**(3,874,009)**	(3,864,955)
Amount repayable after one year	**–**	2,216,491

9. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

The Group's credit terms on Manufacturing and Sales Business and Trading Business generally range from 60 to 90 days. A longer period is granted to a few customers with whom the Group has a good business relationship and which are in sound financial condition. The Group allows an average credit period of 60 to 90 days to its customers of Music and Entertainment Business. The following is an ageing analysis of the trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	2017	2016
	HK$	*HK$*
Manufacturing and Sales Business and Trading Business:		
0 – 30 days	**68,616,555**	103,298,949
31 – 60 days	**36,088,683**	14,440,858
61 – 90 days	**17,694,689**	12,186,438
Over 90 days	**26,024,733**	7,041,536
	148,424,660	136,967,781
Music and Entertainment Business:		
0 – 30 days	**2,093,211**	1,290,956
31 – 60 days	**932,720**	355,138
61 – 90 days	**144,096**	210,747
Over 90 days	**527,702**	1,212,033
	3,697,729	3,068,874
Total trade receivables	**152,122,389**	140,036,655
Deposits with brokers' houses	**23,277,909**	16,065,842
Deposits, prepayments and other receivables	**24,766,584**	19,845,341
	200,166,882	175,947,838

10. TRADE AND OTHER PAYABLES AND ACCRUALS

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2017	2016
	HK$	*HK$*
0 – 30 days	**47,258,847**	25,187,136
31 – 60 days	**6,512,279**	16,436,033
61 – 90 days	**2,064,705**	6,869,131
Over 90 days	**1,901,104**	2,408,527
	57,736,935	50,900,827
Accrued expenses and other payables	**44,501,716**	48,294,939
	102,238,651	99,195,766

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the Year, the Group experienced enormous market challenges due to intense competition and increasing operating costs in the PRC, especially for the Manufacturing and Sales Business. As a result, certain business segments, such as the Manufacturing and Sales Business, the Music and Entertainment Business and the Lending Business recorded lower turnover for the Year, decreasing at rates ranging from approximately 7.0% to 61.1% and the profit after taxation of the Group decreased by approximately 35.2% as compared with Year 2016.

The detailed business and financial review of each business segment is stated below.

BUSINESS AND FINANCIAL REVIEW

Overall Revenue and Gross Profit Margin

During the Year, total revenue of the Group was approximately HK$515.5 million (Year 2016: approximately HK$562.9 million) and the gross profit margin was approximately 30.8%, which is slightly lower than the gross profit margin of approximately 31.7% for Year 2016. The segments' respective contributions to the revenue of the Group are as follows:

	2017	**Approximate % to total revenue**	2016	Approximate % to total revenue
	HK$		*HK$*	
Gaming Distribution Business	**1,513,933**	**0.3%**	88,319	0.0%
Lending Business	**4,611,231**	**0.9%**	8,215,087	1.5%
Manufacturing and Sales Business	**458,620,260**	**89.0%**	492,941,761	87.6%
Music and Entertainment Business	**10,513,580**	**2.0%**	27,039,363	4.8%
Property Business	**6,500,175**	**1.3%**	1,713,770	0.3%
Trading Business	**33,774,464**	**6.5%**	32,912,733	5.8%
Total revenue	**515,533,643**	**100%**	562,911,033	100%

Gaming Distribution Business

During the Year, the management of the Group and the senior management team of this segment have redefined the segment's business objectives and strategies. The Group has put more efforts on the sales of the game contents and machines provided by certain related companies. To deliver a better presentation of the business nature, the operating segment is renamed as the Gaming Distribution Business (previously named as the Gaming Business). More games contents and machines were being deployed to the market during the Year and the turnover of this segment increased to approximately HK$1.5 million for the Year (Year 2016: approximately HK$0.09 million).

During the Year, a sale and purchase agreement was entered into between Dream Class Limited, a wholly-owned subsidiary of the Company as vendor, and Anchor Kapital Limited, a company which is wholly-owned by the trustee of a discretionary trust of which the immediate family member(s) of Mr. SUEK Ka Lun, Ernie ("Mr. Suek") (an executive Director and the chairman of the Group) is/are one of the discretionary objects as purchaser in relation to the disposal of entire issued share capital of Power Rank International Limited ("Power Rank") at a consideration of HK$2.34 million. Power Rank was holding 10% share capital of a company incorporated in Hong Kong which is mainly engaged in gaming business. The loss arising from the disposal was approximately HK$5.4 million and was included in the segment loss for the Gaming Distribution Business.

Lending Business

The Lending Business includes the financial leasing business in Shanghai, the PRC and the money lending business in Hong Kong. For the financial leasing business, no transaction was conducted during the Year, the Group is still in search for deals with potential.

For the money lending business in Hong Kong, efforts have been made by the Group to expand its customer base and loan portfolio during the Year. Customers of the business included both individuals and corporate entities and the majority of loans were secured by the properties located in the Hong Kong Special Administrative Region, the PRC ("Hong Kong"). No default has been recorded since the commencement of the business and the majority of interest income was received on time. However, due to the keen market competition in Hong Kong and the Group's stringent risk assessments practice on each loan application, loan interest income decreased by approximately 43.9% to approximately HK$4.6 million for the Year (Year 2016: approximately HK$8.2 million).

Manufacturing and Sales Business

This segment represents the business of the manufacturing and sales of printing products of the Group, such as packaging boxes, labels, paper products and paper shopping bags. The product line of paper shopping bags was introduced in Year 2016. The customer base of this segment covers the worldwide market.

During the Year, the Manufacturing and Sales Business continued to adopt two strategies as in Year 2016 including: (i) continuing cost reduction, as well as efficiency and quality enhancement of the factories in the PRC; and (ii) expansion of sales network to customers with higher profit margin. The new product line, namely paper shopping bags, started to contribute profit to the Manufacturing and Sales Business during the Year.

The revenue of this business segment decreased by approximately 7.0% to HK$458.6 million for the Year (Year 2016: approximately HK$492.9 million). The drop in revenue was mainly caused by the decrease in export sales which was attributable to the following reasons: firstly, by conducting the customer portfolio analysis, the Group reviewed the profit contribution of each customer since Year 2016 and business from customers with lower profit margin were strategically reduced during the Year; secondly, given the keen competition of the printing industry, price reduction was commonly requested by the customers, which led to a decrease in revenue.

The segment profit for the Year decreased by approximately 25.6% to approximately HK$43.4 million for the Year (Year 2016: approximately HK$58.3 million). The segment profit margin for the Year was approximately 9.5% (Year 2016: approximately 11.8%). The drop in profit margin was mainly attributable to:

(i) the decrease in revenue as mentioned above; and

(ii) the increase in materials consumption rate and change of product mix. The prices of materials, especially certain main materials such as paper, increased significantly during the Year, which contributed to the increase in material costs recorded in this segment for the Year. However, the impact of such increase in materials prices has been lessened by the various costs control measures adopted by the Group since 2015. These measures were reviewed monthly by the management and the respective department head by checking actual usage against various pre-set key performance indicators and investigation and remedial actions were made immediately as and when necessary.

In addition, it is noted that the revenue from some products with lesser material requirement decreased for the Year which in turn pushed up the overall materials consumption rate of this segment as a whole.

Combining these two factors, it is noted that the materials consumption rate increased by approximately 5.0% as compared with Year 2016.

However, the drop in segment revenue was partially offset by the following factors:

(i) the staff costs decreased for the Year. The ratio of total staff costs to sales for this segment maintained at approximately 30% for both years. During the Year, the Group was facing the challenges from the upward adjustment of the minimum wages in Shenzhen by the PRC government from RMB2,030 to RMB2,130 and the increase in associated costs. The Group succeeded to manage such increment and maintained the staff cost to sales ratio by decreasing the number of headcount and replacing some old machines by newer models so as to boost the production efficiency as a whole; and

(ii) the Group recognised a gain on disposal of machinery and equipments of approximately HK$4.2 million during the Year.

Music and Entertainment Business

Revenue from this segment mainly consisted of income from concerts and shows, artiste management fee income, album distribution income, promotion income and musical work licensing income.

Loss of this segment for the Year was approximately HK$2.9 million (Year 2016: segment profit of approximately HK$0.7 million). The change from segment profit to loss was mainly attributable to the following reasons:

(i) during the Year, revenue from the Music and Entertainment Business decreased significantly by approximately 61.1% to approximately HK$10.5 million (Year 2016: approximately HK$27.0 million). Such decrease was mainly due to: (a) the decrease in income from concerts and shows of approximately HK$15.3 million; and (b) the decrease in promotion income and other music and entertainment services income by approximately 52.1% as compared with Year 2016;

(ii) the profit contributed by concerts and shows investment decreased by approximately HK$0.9 million; and

(iii) the absence of film investment income for the Year (Year 2016: approximately HK$2.6 million).

During the Year, the Group invested in a music concert which is to be performed by a popular Hong Kong singer and held in the PRC in 2018.

Property Business

Property development business

The Group had two property development projects as at 31 December 2017. One of which involved 四川英華房地產有限公司 (unofficial English translation being Sichuan Yinghua Real Estate Co., Ltd.)("Yinghua") and was classified as an available-for-sale investment in the consolidated statement of financial position of the Group as at 31 December 2017. The other project involved 清遠市中清房地產開發有限公司 (unofficial English translation being Qingyuan Zhongqing Property Development Co., Ltd.) ("Zhongqing"), a non-wholly owned subsidiary of the Company.

Yinghua held the land use right of a parcel of commercial land in Chengdu, the PRC. The related property consists of both residential and commercial units. On 24 July 2017, the Group served an exercise notice to Kwong Da Enterprises Limited ("Kwong Da"), a Hong Kong company which indirectly owns 74% equity interest of Yinghua, to exercise the put option by which Kwong Da shall acquire the entire issued share capital of a subsidiary of the Group which indirectly owns 16.67% of Yinghua at the put option consideration of RMB30,000,000. The completion should have been taken place on or before 10 January 2018 but the Group has agreed with Kwong Da to extend to a day on or before 31 May 2018, further details of which are set out in the paragraphs headed "Events After Reporting Period" below. As at 31 December 2017, the Group has received a total repayment of RMB30 million in respect of its shareholder's loan injected to Yinghua in 2013 and the outstanding put option consideration was RMB22,000,000.

Zhongqing holds the land use rights of two parcels of commercial land in Qingyuan, the PRC. On 18 June 2014, 深圳中星國盛投資發展有限公司 (unofficial English translation being Shenzhen Zhongxing Guosheng Investment Development Co., Ltd.) ("Zhongxing Guosheng"), a wholly-owned subsidiary of the Company, initiated civil proceedings against Zhongqing in the People's Court of Baoan District for, among other matters, the repayment of the shareholder's loan contributed by Zhongxing Guosheng in an amount of RMB23,479,330 (the "Litigation"). On 19 June 2014, pursuant to an application made by Zhongxing Guosheng to freeze and preserve the assets of Zhongqing in a total value of RMB23,400,000, an order was granted by the People's Court of Baoan District to freeze and preserve the two parcels of land owned by Zhongqing from 24 June 2014 to 23 June 2016 (the "Freeze Order"). The Freeze Order aimed to ensure that Zhongqing would have sufficient assets to repay the shareholder's loan to the Group.

Two hearings sessions of the Litigation were held on 18 August 2014 and 25 September 2014 respectively. On 15 October 2014, the Group received a civil mediation document dated 30 September 2014 and issued by the People's Court of Baoan District, acknowledging that: (i) the Group and Zhongqing confirmed that Zhongqing was indebted to Zhongxing Guosheng in a sum of RMB23,479,330; (ii) Zhongqing agreed to repay to Zhongxing Guosheng a sum of RMB23,479,330, together with interests accrued from 18 June 2014 to the date of repayment, which was within 15 days of the effective date of the civil mediation document; and (iii) if Zhongqing fails to repay the agreed amount, Zhongxing Guosheng shall be entitled to request Zhongqing to pay default interests calculated at two times of the lending rate of the People's Bank of China over the same period.

As advised by the Group's PRC legal advisers, the effective date of the civil mediation was 15 October 2014 and thus, the deadline for repayment by Zhongqing was 30 October 2014. As at the date of this announcement, Zhongqing has not repaid the outstanding shareholder's loan and accrued interests to Zhongxing Guosheng.

On 27 May 2016, Zhongxing Guosheng submitted an application to the People's Court of Baoan District for the extension of the period covered by the Freeze Order and the application was accepted by the court. The extended period covered by the Freeze Order was from 13 June 2016 to 12 June 2019. The management of the Group is assessing the market condition of Qingyuan City, the PRC and evaluating all possible options to be taken, including but not limited to the disposal or development of the two parcels of land held by Zhongqing and the possible disposal of the Group's equity interest in Zhongqing. No further action has been taken by the Group as at the date of this announcement. The Group will closely monitor the negotiation progress with the business partners and will take further legal actions to protect the Group's interest as and when appropriate.

Property investment business

The property investment business includes: (i) the mini storage business operated by a wholly-owned subsidiary of the Company; (ii) the office leasing business operated by a joint venture; and (iii) the leasing of several commercial units to a related company by a wholly-owned subsidiary of the Company.

Mini storage business

The Group renovated the ground floor, 1st floor, 2nd floor and half of the floor area of the 4th floor of a self-owned industrial building in Fanling, Hong Kong (the "Fanling Building") in 2014 for the operation of the mini storage business. As at 31 December 2017, the occupancy rate of the storage units increased to approximately 92% (31 December 2016: approximately 68%).

During the Year, more resources were put in place for inspecting, improving and maintaining the conditions and safety level of the mini storage floors and the whole building. The Group also worked with external professionals to evaluate the safety requirements stipulated by relevant government authorities and to estimate the costs that might incur. The Group will continue its marketing efforts put in this business in order to uplift the occupancy rate of the Fanling Building. The Group will also pay close attention to the recent development of the regulations imposed on the mini storage industry.

Office leasing business

The office leasing business, being the operation of the business service centre in Kwun Tong, Hong Kong, is operated by Estate Summit Limited ("Estate Summit"), a joint venture of the Group and an independent third party with extensive management and operating experience. A brand name of "Prime Business Centres" was established and approximately 94% of units was rented out as at 31 December 2017 (31 December 2016: approximately 61%). During the Year, the business encountered keen competition in the Kwun Tong district and rental price of offices was lowered so as to attract more tenants. In addition, more marketing efforts were devoted to boost its occupancy rate during the Year.

Considering the continuous loss incurred by Estate Summit, the Company assessed the recoverable amount of the loan to Estate Summit taking into consideration the estimated future cash flows and timing of such cash flows discounted at its original effective interest rate, an impairment loss of approximately HK$2.9 million was recognised in respect of loans to joint venture during the Year (Year 2016: approximately HK$5.3 million).

Properties leasing and investment

The Group acquired the entire issued share capital of Supreme Cycle Inc. ("Supreme Cycle") from a related company on 30 November 2016 at a consideration of approximately HK$87.2 million. The principal activities of Supreme Cycle are investment holding and property investment and its principal assets are commercial properties situated in Yuen Long, Hong Kong (the "Yuen Long Properties"). The Yuen Long Properties were leased to a related company of the Group and operating as a karaoke outlet as at 31 December 2017. Approximately 68.3% of revenue of the Property Business was derived from the Yuen Long Properties, which is the main reason for the increase in revenue of the Property Business for the Year.

On 30 September 2017, the Group decided to change the intented usage of its commercial property in Beijing, the PRC (the "Beijing Property") from internal use to leasing. According to the Group's accounting standard, the Beijing Property was re-classified as an investment property and measured at fair value upon the change of property usage. The difference between the fair value and the carrying value of the Beijing Property as at the date of change of property usage was credited to the property valuation reserve of the Group. The change in fair value of the Beijing Property between the date of change of property usage and 31 December 2017 was recorded in the consolidated statement of profit or loss.

According to the Group's accounting standard, the Fanling Building, the Yuen Long Properties and the Beijing Property were classified as investment properties of the Group. The investment properties were carried at market value and a fair value gain of approximately HK$20.3 million was recorded in other gains and losses of the Group for the Year (Year 2016: approximately HK$0.6 million).

Trading Business

The Trading Business includes (i) the trading of printing products in Hong Kong and the PRC; and (ii) the operation of neighbourhood stores in the PRC.

Revenue from the Trading Business increased by approximately 2.6% to approximately HK$33.8 million (Year 2016: approximately HK$32.9 million). The increase was mainly attributable to the increase in number of orders placed by customers of a Hong Kong trading company, which is one of the authorised dealers of 3M products in Hong Kong.

The segment profit margin slightly increased by approximately 0.6 percentage point to approximately 6.9% (Year 2016: approximately 6.3%), which was mainly due to the tightened cost control measures adopted in the Trading Business. The revenue generated from neighbourhood stores in the PRC represented approximately 1.1% of total revenue of the Trading Business for the Year (Year 2016: approximately 2%). The Group has operated the business of neighbourhood stores for more than two years. Based on the detailed performance review and analysis by the management, the neighbourhood stores operation might not be able to further develop and generate greater revenue to the Group and thus, the management decided to cease this operation gradually in the year of 2018.

Securities Trading Business and available-for-sale investments of the Group

During the Year, the Group recorded a fair value loss of approximately HK$19.2 million (Year 2016: fair value gain of approximately HK$80.0 million) (including a realised loss of approximately HK$2.8 million) and a dividend income of approximately HK$1.5 million (Year 2016: approximately HK$0.8 million) in respect of Hong Kong listed securities held.

Set out below is the breakdown of the Group's available-for-sale investments and held-for-trading investments as at 31 December 2017:

Description of investments	*Notes*	**Form of investments**	**Principal activities of invested companies**	**Percentage of total share capital held by the Group**	**Carrying amount as at 31 December 2017** *HK$*	**Percentage to the Group's audited net assets as at 31 December 2017** *(approximate)*	**Percentage to the Group's audited total assets as at 31 December 2017** *(approximate)*
Five largest investments of the Group in terms of value							
Wang On Properties Limited (stock code: 1243)		Held-for-trading investment	Property development and property investment	0.4%	71,562,400	7.1%	5.9%
Equity investment in Yinghua		Available-for-sale investment	Property development in the PRC	16.67%	14,192,719	1.4%	1.2%
Equity investment in 深圳市住百家發展股份有限公司		Available-for-sale investment	Overseas short term apartment rentals, bed & breakfast, family inn and accommodation booking website	2.0%	12,007,685	1.2%	1.0%
Jun Yang Financial Holdings Limited (stock code: 397)		Held-for-trading investment	Assets investment, money lending, provision of financial services and green energy related consultancy services and sales of electricity in the PRC	0.7%	7,236,000	0.7%	0.6%
Wang On Group Limited (stock code: 1222)		Held-for-trading investment	Property development and investment in Hong Kong, management and sub-licensing of Chinese wet markets in Hong Kong and/or the PRC and manufacturing and/or retailing of pharmaceutical and health food product	0.3%	6,650,000	0.7%	0.6%
Other investments							
Club membership		Available-for-sale investment	N/A		3,403,700	0.3%	0.3%
Other equity investments, at cost	*(a)*	Available-for-sale investment	N/A		9,459,163	0.9%	0.8%
Other equity securities listed in Hong Kong	*(b)*	Held-for-trading investment	N/A		21,926,256	2.2%	1.8%
Total					146,437,923	14.5%	12.1%

Notes:

(a) Equity investments carried at cost under the category of available-for-sale investments represented the Group's investments in twelve companies incorporated in Hong Kong, the PRC and overseas.

(b) Equity securities listed in Hong Kong under the category of held-for-trading investments represented the Group's investments in 17 companies whose shares are listed on the Main Board or GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Each of such investments has a carrying amount accounting for less than 5% of the Group's audited net assets as at 31 December 2017.

The Group will carefully study the market and the information related to prospective investees before purchasing any securities and will closely monitor the performance of the securities after purchase as well as adjust the investment strategy in a cautious manner to minimise the impact of market volatility as and when necessary.

OTHER GAINS AND LOSSES

Other gains and losses for the Year comprised the following major items:

	2017	2016
	HK$	*HK$*
Change in fair value in derivative financial instrument	**(2,837,217)**	752,339
Change in fair value in held-for-trading investments	**(19,173,556)**	79,983,930
Fair value changes in investment properties	**20,273,024**	630,600
Gain on land swap transaction *(Note 2)*	**46,611,407**	–
Impairment loss recognised in respect of an available-for-sale investment *(Note 3)*	**–**	(5,581,603)
Impairment loss recognised in respect of loans to a joint venture *(Note 4)*	**(2,874,868)**	(5,268,340)
Loss on disposal of a subsidiary *(Note 1)*	**(5,396,840)**	–
Net foreign exchange (loss) gains	**(678,650)**	3,812,271
Net gain (loss) on disposal of property, plant and equipment	**4,244,150**	(26,709)
Reversal of (allowance for) bad and doubtful debts	**1,150,168**	(1,715,533)
Total	**41,317,618**	72,586,955

Notes:

(1) The Group entered into a sale and purchase agreement on 5 May 2017 with a related party to dispose of the entire issued share capital of Power Rank International Limited, a wholly-owned subsidiary of the Company. The transaction was completed on the same date. For further details, please refer to the business and financial review of the Gaming Distribution Business stated above.

(2) Due to policy driven zone planning and upon request by the local government, 中大印刷(清遠)有限公司 (unofficial English translation being Zhongda Printing (Qingyuan) Company Limited) ("Zhongda Qingyuan"), a wholly-owned subsidiary of the Company which originally owned two parcels of land with a total area of approximately 311.748 mu in Qingyuan City, the PRC (the "Existing Land") agreed to swap the land with a new parcel of land with a total area of 312 mu situated in Qingyuan City, the PRC (the "New Land") and the compensatory payment of RMB45,009,700. Approval from the shareholders of the Company (the "Shareholders") was obtained on 9 June 2017 and the transaction was completed in October 2017. The gain on land swap transaction was calculated with reference to the difference between: (i) the total of fair value of the New Land and the compensatory payment; and (ii) the total of book value and capital expenditures incurred on the Existing Land, the deposit paid for certain land use rights of the Existing Land and the tax expenses incurred in the transaction. Further details of the transaction are set out in the circular of the Company dated 18 May 2017.

(3) The Group entered into a share subscription agreement on 30 July 2015 to subscribe for 10% of the total issued share capital of 北京愛美微科技有限公司 (unofficial English translation being Beijing Ai Mei Wei Technology Company Limited) ("Aimeiwei"), which was principally engaged in the provision of professional cleaning and repairing services for shoes and luxury bags in Beijing, the PRC, at a total investment cost of HK$5.6 million. Aimeiwei actively opened its stores in Beijing during years 2015 and 2016. However, given the keen competition in the local market, Aimeiwei was unable to compete with large corporations which devoted more financial resources in expanding their market share. In Year 2016, shareholders of Aimeiwei decided to cease the operation of all its stores and full impairment was made.

(4) The Group recognised an impairment loss in respect of the investment made in Estate Summit, a joint venture of the Group principally engaged in the office leasing business. For the reasons of the impairment, please refer to the business and financial review of the Property Business stated above.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

The following table sets out the Group's current ratio, quick ratio and gearing ratio as at 31 December 2017 and 31 December 2016:

	Notes	**As at 31 December 2017**	As at 31 December 2016
Current ratio	*(i)*	**4.1**	3.7
Quick ratio	*(ii)*	**3.6**	3.3
Gearing ratio *(%)*	*(iii)*	**7.9**	9.9

Notes:

(i) Current ratio is calculated by dividing total current assets by total current liabilities as at the end of the year.

(ii) Quick ratio is calculated by dividing the difference between total current assets and inventories (including properties under development for sale) by total current liabilities as at the end of the year.

(iii) Gearing ratio is calculated by dividing total borrowings by total equity as at the end of the year and then multiplying it by 100%. The total borrowings included the amount due to a related company, bank borrowings, finance lease obligations and amount due to a non-controlling shareholder of a subsidiary.

As at 31 December 2017, the Group had short-term bank deposits and cash and cash equivalents of approximately HK$302.6 million (31 December 2016: approximately HK$227.3 million) and total borrowings of approximately HK$79.4 million (31 December 2016: approximately HK$90.5 million).

The total borrowings included the amount due to a related company, bank borrowings, finance lease obligations and amount due to a non-controlling shareholder of a subsidiary. The amount due to a related company is payable within two years and bears fixed-interest at a range from 18%-20% per annum. The secured bank borrowings are payable within five years and carry interest at the Hong Kong Inter-bank Offered Rate ("HIBOR") plus 1.85% to 2.5% per annum while the unsecured bank borrowing contains a repayment on demand clause and carries interest at HIBOR plus 1.5% per annum. The finance lease obligations represent leases of certain motor vehicles for a term of one year at a fixed interest rate of 2.8% per annum. The amount due to a non-controlling shareholder of a subsidiary is unsecured, interest-free and repayable on demand.

All borrowings are denominated in HK dollar and Renminbi and the majority of cash and cash equivalents is denominated in Renminbi, HK dollar and US dollar.

The liquidity of the Group remained strong and healthy as compared with Year 2016. The gearing ratio as at 31 December 2017 decreased to 7.9% (31 December 2016: 9.9%) mainly due to partial repayment of the amount due to a related company during the Year.

The current ratio and quick ratio as at 31 December 2017 increased as compared with the respective figures as at 31 December 2016. Such increase was mainly attributable to (i) the increase in cash and cash equivalents which was mainly contributed by the compensatory payment under the land swap transaction completed in October 2017 and the repayment of the shareholder's loan from Yinghua; and (ii) the decrease in amount due to a related company.

The Group generally finances its operation with cash flows generated internally and bank facilities obtained in Hong Kong and the PRC. Taking into account the amount of the anticipated funds generated internally and the available banking facilities, the Group will have adequate resources to meet its future capital expenditure and working capital requirements. The Group will continue to implement its prudent policy in managing cash balances, thereby maintaining a strong and healthy liquidity level and ensuring that business opportunity will be promptly seized.

FUTURE OUTLOOK

The Group will continue to strengthen, develop and diversify its portfolio to ensure sustainable business growth in the future. While the Manufacturing and Sales Business remains the core of the Group's portfolio, other business segments will continue to develop to contribute to the Group's income. The Group will stick to this diversification strategy to generate stable return and promising business growth to the Shareholders.

Gaming Distribution Business

Expansion of distribution network will be the main focus of the Gaming Distribution Business in coming years. The Group will concentrate financial resources in the expansion of distribution network by recruiting talents with extensive technical, sales and marketing experience in Hong Kong. Meanwhile, the Group is actively seeking co-operation opportunities with various software design companies to enlarge its shares in the global market through their established platforms and customer networks.

Lending Business

Due to the keen competition in this market and the volatile economic environment, the risks and difficulties facing the Lending Business may increase in the course of enlarging its loan portfolio. In the future, the Group will actively seek for new customers and provide more value-added services to the customers as an attraction. More financial resources will be allocated to this business too. Nevertheless, the Group will continue to closely monitor the repayment abilities of borrowers and perform risk assessments on each loan application in a more prudent way.

Manufacturing and Sales Business and Trading Business

The series of costs control measures adopted since 2015 have brought positive impact on the segments' results in the Year and Year 2016. In particular, they delivered encouraging performance for the Manufacturing and Sales Business. More challenges are expected in 2018, including but not limited to (i) the further increase in raw materials prices; (ii) the further increase in labour costs in Shenzhen; (iii) the more stringent environmental requirements in Shenzhen; and (iv) the global economic uncertainty which may adversely affect the business of the export sales customers.

To cope with these challenges facing the printing industry and to maintain the positive results in the future, the Group will continue to put more efforts in the following areas: (i) efficiency and effectiveness enhancement by streamlining the production process of its factories so as to reduce operation and production wastage; (ii) talent recruitment, provision of value-added services and upgrade of its technology infrastructure; (iii) enhanced quality management of its products and introduction of new product lines to enhance its competitiveness as a whole; (iv) the sourcing and testing of the quality of alternative materials and the negotiation for more favourable terms with vendors; and (v) the expansion of its market share to cover high value products and the securing of a foothold in the paper shopping bag market.

During the Year, the Group completed the land swap transaction with the Qingyuan government as detailed in the note to the gain on land swap transaction on page 27 above. The feasibility study for the possible future uses of such new parcel of land acquired (the "Qingcheng Land"), which is located at the Qingcheng District, Qingyuan City, the PRC, was completed in early 2018. The Group intends to utilise part of the land to construct a new production plant for the Manufacturing and Sales Business. It is expected that certain leveling work on the site will start in or around April 2018 and the construction of production plant will commence in early 2019 and be completed by the end of 2021.

Furthermore, the Group will actively seek for cooperation opportunities with other printing related companies or companies with business potential to maximize the economic benefits and synergies for the business expansion for certain product lines. As at the date of this announcement, the Group is negotiating with an independent third party which is a private company engaging in printing business for potential business cooperation. Among other possibilities, the potential cooperation may take the form of a joint venture for the manufacturing of certain types of printing products. It is contemplated that certain printing equipments may be transferred by the Group and the potential business partner to the joint venture and the joint venture will be operated by the Group and the potential business partner together.

The Group will continue to adopt prudent measures to enhance the overall efficiency, expand the customer networks, increase its value proposition and improve its business model to overcome the uncertainty in the PRC and the global economy in coming years.

Music and Entertainment Business

In coming years, the Group will allocate more financial resources in the professional training of artistes, the promotional activities and the investment and organisations of concerts and shows. In view of the desirable investment return from films generated in previous years, the Group will continue to invest in the film and entertainment market in the PRC and to identify and evaluate potential projects in the PRC and overseas. The Group also plans to source more artistes with development potentials and further invest in talent cultivation.

Property Business

In respect of the property development business, apart from the possible disposal or development of the two parcels of commercial land held by Zhongqing in Qingyuan City, the PRC and/or the possible disposal of the Group's equity interest in Zhongqing as mentioned in the business and financial review section of the Property Business above, the Group is considering the development of a logistics centre on the remaining portion of the Qingcheng Land to service the new Chimelong Tourist Resort in Qingyuan City, the PRC.

In respect of the property investment business, the Group will continue promoting the mini storage business and the office leasing business in order to further increase the occupancy rate of the mini storage properties in the Fanling Building and business service centre in Kwun Tong, Hong Kong. Nevertheless, depending on the market condition, the Group may also consider the disposal of the whole or part of the Fanling Building, which may result in the cessation or disposal of the Group's mini-storage business which is currently carried out at such properties.

Securities Trading Business

The Group will closely monitor the market and market data related to prospective investees before committing to any securities investment.

The Board would like emphasize that the proposals mentioned in this section are in preliminary stage only and no timetable or any agreement or memorandum of understanding has been made or entered into by the Group in connection therewith.

FOREIGN EXCHANGE RISK

The Group's sales and purchases are principally denominated in Renminbi, HK dollar and US dollar. Except for Renminbi, there was no significant fluctuation in the exchange rate of HK dollar and US dollar throughout the Year. The management will closely monitor the foreign exchange rate risk of Renminbi and identify potential significant adverse impact (if any) it may cause on the PRC operations of the Group. If necessary, the Group will consider using appropriate hedging solutions. The Group had not used any financial instrument for hedging purpose during the Year and it did not have any outstanding hedging instrument as at 31 December 2017.

CAPITAL EXPENDITURE

For the Year, capital expenditure of the Group for property, plant and equipment amounted to approximately HK$13.6 million (Year 2016: approximately HK$6.9 million). The capital expenditure for the Year was mainly attributable to the acquisition of machinery for production in the PRC and motor vehicles for business use.

CAPITAL COMMITMENTS

As at 31 December 2017, the Group had capital commitments of approximately HK$7.8 million (31 December 2016: approximately HK$13.7 million) which had been contracted for but had not been provided for in the financial statements for the acquisition of property, plant and equipment and prepaid lease payments. The Group did not have any capital commitments for the acquisition of property, plant and equipment that had been authorised but not contracted for in both reporting periods. The Group expects to finance the capital commitments by internal resources.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2017 (31 December 2016: nil).

PLEDGE OF ASSETS

As at 31 December 2017, the Group had pledged leasehold building and investment properties with an aggregate carrying value of approximately HK$222.4 million (31 December 2016: approximately HK$201.7 million) to secure the mortgage loan of certain investment properties and general banking facilities granted to the Group. Save as aforesaid, no other assets were pledged by the Group as at 31 December 2017.

SHARE CAPITAL AND CAPITAL STRUCTURE

There was no change in the share capital and capital structure of the Company during the Year.

HUMAN RESOURCES

As at 31 December 2017, the Group had approximately 1,500 full-time employees (31 December 2016: approximately 1,540). Total staff costs (including directors' remuneration) for the Year was approximately HK$157.3 million (Year 2016: approximately HK$180.9 million). The remuneration schemes of the Group are generally structured with reference to market conditions and the qualifications of the employees and the reward packages for the staff are generally reviewed on an annual basis, depending on the staff's and the Group's performance. Apart from salary payments and contributions to the retirement benefit schemes, other staff benefits include participation in share option scheme and medical insurance for eligible employees. In-house and external training programmes are also provided as and when required.

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES OR ASSOCIATED COMPANIES DURING THE YEAR

The Group did not have any material acquisition or disposal of subsidiaries or associated companies during the Year.

EVENTS AFTER REPORTING PERIOD

Exercise of put option – extension of completion date

On 10 January 2018, the Group agreed with Kwong Da in writing to extend the date of completion of the disposal of 16.67% equity interests in Yinghua to a day on or before 31 May 2018 (or such other date as may be agreed by both parties in writing). Kwong Da also agreed and undertook to pay interest on the outstanding put option consideration on the date of completion at the rate of 10% per annum calculated from 10 January 2018 to and including the date of completion. For further details, please refer to the announcements of the Company dated 24 July 2017 and 10 January 2018.

Very substantial disposal – disposal of subsidiaries

On 16 March 2018, the Group entered into a sale and purchase agreement with Ritzy Success Enterprises Limited as purchaser and Mr. Yuan Ji Zhong as guarantor to dispose of the entire issued share capital of Zen Vantage Limited ("Zen Vantage") and the entire sum owing by Zen Vantage to the Group (the "Sale Debt") as at completion at the aggregate consideration of HK$153 million which shall be adjusted to the net asset value of Zen Vantage and the face value of the Sale Debt as shown in the pro forma completion accounts of Zen Vantage. Completion shall be conditional upon, among others, the obtaining of the Shareholders' approval and the completion of the reorganisation and the business transfer within the Group.

Immediately prior to the completion of such transaction, (i) Zen Vantage will be holding Chung Tai Printing (China) Company Limited, which is in turn holding 中星中大紙品發展（深圳）有限公司 (unofficial English translation being Neway Chung Tai Paper Products Development (Shenzhen) Co., Ltd.) (collectively, the "Disposal Group"); and (ii) the principal assets of the Disposal Group will be the land and properties owned by the Group in Longgang District, Shenzhen, the PRC and the building costs, leasehold improvements and fixtures on the land and properties leased by the Group in Longgang District, Shenzhen, the PRC. There will be no change to the principal business of the Group as a result of such disposal.

A special general meeting of the Company will be convened for approving such sale and purchase agreement and the disposal contemplated thereunder. The related circular, notice of meeting and form of proxy are expected to be despatched to the Shareholders on or before 31 May 2018. For further details, please refer to the announcement of the Company dated 16 March 2018.

DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (Year 2016: nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Board is collectively responsible for performing the corporate governance duties. The Board recognises that good corporate governance practices are vital to the maintenance and promotion of shareholder value and investor confidence. In the opinion of the Board, save for the deviations disclosed below, the Company has met the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the Year:

Provision A.2.7 of the CG Code

Provision A.2.7 of the CG Code requires the chairman to hold meetings at least annually with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. The chairman, namely Mr. Suek was himself an executive Director and as such, compliance with this code provision was infeasible.

Provisions A.5.1 to A.5.6 of the CG Code

The Board has not established a nomination committee which was in deviation from Provisions A.5.1 to A.5.6 of the CG code. The Board is responsible for reviewing the structure, size and composition of the Board from time to time and the appointment and removal of Directors are subject to the Board's collective decision. The Board will identify individuals suitably qualified to be appointed to the Board when necessary. The Board considers potential candidates based on their qualifications, expertise, experience and knowledge as well as the requirements under the Listing Rules.

Provision A.6.7 of the CG Code

Except for (i) Ms. Lui Lai Ping, Cecily ("Ms. Lui"), a former independent non-executive Director who has retired after the conclusion of the annual general meeting of the Company held on 9 June 2017 (the "2017 AGM") and who was unable to attend the 2017 AGM and the special general meeting of the Company held on 9 June 2017 (the "2017 SGM") due to her other business commitments; and (ii) Mr. Chu Gun Pui ("Mr. Chu"), who was only appointed as an independent non-executive Director on 23 June 2017 and had not attended the 2017 AGM and the 2017 SGM, all non-executive Directors and independent non-executive Directors attended all general meetings of the Company held during the Year.

Non-compliance with Rules 3.10(1) and 3.10A of the Listing Rules

Following the retirement of Ms. Lui as an independent non-executive Director after the conclusion of the 2017 AGM, the Company only had two independent non-executive Directors which fell below the minimum number required under Rules 3.10(1) and 3.10A of the Listing Rules. To comply with the Listing Rules, Mr. Chu was appointed as an independent non-executive Director on 23 June 2017 to fill the vacancy of Ms. Lui.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Company has received confirmations from all Directors that they have complied with the required standards set out in the Model Code during the Year.

The Company has also adopted procedures on terms no less exacting than the Model Code in respect of the securities transactions of the employees who are likely to be in possession of unpublished inside information of the Group.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Board comprises two independent non-executive Directors and one non-executive Director. The audit committee of the Board has reviewed with the management of the Group the accounting policies, discussed with the Board the auditing, internal control, risk management and financial reporting matters and reviewed the final results and the consolidated financial statements of the Group for the Year. In addition, the consolidated financial statements of the Group for the Year have been audited by the Group's auditor, Messrs. Deloitte Touche Tohmatsu and an unqualified opinion report is issued.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2017 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.newaygroup.com.hk. The annual report for the year ended 31 December 2017 will be despatched to the Shareholders and be available on the above websites in April 2018.

APPRECIATION

The Board would like to express its gratitude to all employees of the Group for their diligence and contribution. At the same time, the Board is also thankful for the support it has from all the Shareholders and the customers and suppliers of the Group.

On behalf of the Board
NEWAY GROUP HOLDINGS LIMITED
SUEK Ka Lun, Ernie
Chairman

Hong Kong, 27 March 2018

As at the date of this announcement, the Board comprises Mr. Suek Ka Lun, Ernie (Chairman) and Mr. Suek Chai Hong (Chief Executive Officer) being the executive Directors; Dr. Ng Wai Kwan, Mr. Chan Kwing Choi, Warren and Mr. Wong Sun Fat being the non-executive Directors; Mr. Lee Kwok Wan, Mr. Lai Sai Wo, Ricky and Mr. Chu Gun Pui being the independent non-executive Directors; and Mr. Lau Kam Cheong being the alternate Director to Dr. Ng Wai Kwan.