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 2018

The board (the "Board") of directors (the "Directors") of Neway Group Holdings Limited ("Neway" or the "Company") announces 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 2018 (the "Year"), together with the comparative figures for the year ended 31 December 2017 ("Year 2017") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	HK$	*HK$*
Total revenue	**592,625,942**	515,533,643
Gross proceeds from sale of held-for-trading investments	**39,230,890**	118,243,982
	631,856,832	633,777,625

* *For identification purpose only*

	NOTES	2018 HK$	2017 HK$
Revenue			
Revenue from goods and services	3	**578,124,633**	504,422,237
Rental income		**7,304,238**	6,500,175
Interest income from lending business		**7,197,071**	4,611,231
Total revenue		**592,625,942**	515,533,643
Cost of sales		**(456,216,282)**	(356,859,195)
Gross profit		**136,409,660**	158,674,448
Other interest income		**2,366,386**	1,932,508
Other income		**13,195,256**	3,168,076
Selling and distribution expenses		**(29,784,530)**	(26,041,840)
Administrative expenses		**(116,999,209)**	(123,099,454)
Other gains and losses		**(25,899,343)**	40,167,450
Net (impairment losses) reversal of impairment losses on trade receivables and contract assets		**(11,402,625)**	1,150,168
Finance costs		**(3,098,378)**	(2,509,172)
Share of results of joint ventures		**(7,518)**	(1,349,720)
(Loss) profit before taxation		**(35,220,301)**	52,092,464
Taxation	5	**(3,004,214)**	(4,142,567)
(Loss) profit for the year	6	**(38,224,515)**	47,949,897

	NOTE	2018 HK$	2017 HK$
Other comprehensive (expense) income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(32,468,608)**	40,699,906
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)
Fair value loss on equity instruments at fair value through other comprehensive income ("FVTOCI")		**(12,705,867)**	–
		(45,174,475)	47,728,805
Total comprehensive (expense) income for the year		**(83,398,990)**	95,678,702
(Loss) profit for the year attributable to:			
Owners of the Company		**(37,922,569)**	48,145,604
Non-controlling interests		**(301,946)**	(195,707)
		(38,224,515)	47,949,897
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(82,359,444)**	94,849,265
Non-controlling interests		**(1,039,546)**	829,437
		(83,398,990)	95,678,702
(Loss) earnings per share			
Basic	8	**(14.95) HK cents**	18.98 HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

	NOTES	**2018** **HK$**	2017 HK$
Non-current assets			
Property, plant and equipment		**69,187,841**	125,412,446
Prepaid lease payments		**56,729,796**	63,444,314
Investment properties		**239,199,410**	229,165,879
Equity instruments at FVTOCI		**11,573,728**	–
Club membership		**3,403,700**	–
Prepayments and deposits	*10*	**4,411,600**	–
Available-for-sale investments		**–**	24,870,548
Interests in joint ventures	*9*	**413,750**	421,268
Deposit paid for acquisition of property, plant and equipment		**24,871,390**	5,543,984
		409,791,215	448,858,439
Current assets			
Inventories		**32,510,153**	42,551,931
Properties under development for sale		**43,325,216**	45,351,716
Held-for-trading investments		**–**	107,374,656
Derivative financial instrument		**–**	7,851,180
Financial assets at fair value through profit or loss ("FVTPL")		**87,895,380**	–
Equity instruments at FVTOCI		**14,679,744**	–
Available-for-sale investments		**–**	14,192,719
Trade and other receivables, prepayments and deposits	*10*	**167,372,625**	200,166,882
Contract assets		**15,719,178**	–
Loans to joint ventures	*9*	**3,215,059**	3,874,009
Loans receivable		**80,750,879**	31,055,801
Prepaid lease payments		**1,191,528**	1,345,094
Amounts due from related companies		**2,433,094**	1,310,456
Tax recoverable		**571,625**	–
Short-term bank deposits		**23,682,998**	102,879,162
Cash and cash equivalents		**185,786,206**	199,687,987
		659,133,685	757,641,593
Assets classified as held for sale		**88,183,524**	–
		747,317,209	757,641,593

	NOTE	2018	2017
		HK$	HK$
Current liabilities			
Trade and other payables and accruals	*11*	**108,141,167**	102,238,651
Contract liabilities		**3,330,271**	–
Tax liabilities		**3,401,860**	4,656,583
Amount due to a non-controlling shareholder of a subsidiary		**17,080,392**	18,011,527
Amount due to a related company		**129,334**	903,191
Obligations under finance leases – due within one year		**–**	182,179
Bank borrowings		**86,807,056**	59,892,800
		218,890,080	185,884,931
Net current assets		**528,427,129**	571,756,662
Total assets less current liabilities		**938,218,344**	1,020,615,101
Non-current liabilities			
Amount due to a related company		**328,478**	380,146
Deferred taxation		**10,607,945**	10,722,401
		10,936,423	11,102,547
Net assets		**927,281,921**	1,009,512,554
Capital and reserves			
Share capital		**2,536,395**	2,536,395
Reserves		**922,075,570**	1,008,687,044
Amounts recognised in other comprehensive income and accumulated in equity relating to assets classified as held for sale		**5,420,387**	–
Total attributable to owners of the Company		**930,032,352**	1,011,223,439
Non-controlling interests		**(2,750,431)**	(1,710,885)
Total equity		**927,281,921**	1,009,512,554

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to owners of the Company											
	Share capital *HK$*	Share premium *HK$*	Deemed contribution from a shareholder *HK$*	Capital redemption reserve *HK$*	Contributed surplus *HK$*	Properties valuation reserve *HK$*	Investment revaluation reserve *HK$*	Translation reserve *HK$*	Retained profits *HK$*	Sub-total *HK$*	Non-controlling interests *HK$*	Total *HK$*
At 1 January 2017	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
Adjustments *(note 2)*	–	–	–	–	–	–	(13,063,890)	–	14,232,247	1,168,357	–	1,168,357
At 1 January 2018 (restated)	2,536,395	368,949,127	188,956,957	62,400	103,571,033	63,252,165	(13,063,890)	39,791,222	258,336,387	1,012,391,796	(1,710,885)	1,010,680,911
Loss for the year	–	–	–	–	–	–	–	–	(37,922,569)	(37,922,569)	(301,946)	(38,224,515)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	(31,731,008)	–	(31,731,008)	(737,600)	(32,468,608)
Fair value loss on equity investments at FVTOCI	–	–	–	–	–	–	(12,705,867)	–	–	(12,705,867)	–	(12,705,867)
Other comprehensive expense for the year	–	–	–	–	–	–	(12,705,867)	(31,731,008)	–	(44,436,875)	(737,600)	(45,174,475)
Total comprehensive expense for the year	–	–	–	–	–	–	(12,705,867)	(31,731,008)	(37,922,569)	(82,359,444)	(1,039,546)	(83,398,990)
At 31 December 2018	2,536,395	368,949,127	188,956,957	62,400	103,571,033	63,252,165	(25,769,757)	8,060,214*	220,413,818	930,032,352	(2,750,431)	927,281,921

* *As at 31 December 2018, translation reserve included the amount of HK$5,420,387 recognised in other comprehensive income and accumulated in equity relating to assets classified as held for sale.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL

Neway Group Holdings Limited (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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (collectively referred to as the "Group") has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

In addition, the Group has early applied Amendments to HKFRS 9 "Prepayment Features with Negative Compensation" which will be mandatorily effective for the Group for the financial year beginning on 1 January 2019.

Except as described below, the application of other 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.

2.1 HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and the related interpretations.

Summary of effects arising from initial application of HKFRS 15

The following table summarises the impact of transition to HKFRS 15 on retained profits at 1 January 2018.

	Impact of adopting HKFRS 15 at 1 January 2018
	HK$
Retained profits	
Manufacturing and sales of printing products recognised over time	3,074,003

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	Reclassification	Remeasurement	Carrying amounts under HKFRS 15 at 1 January 2018*
	HK$	*HK$*	*HK$*	*HK$*
Current assets				
Inventories	42,551,931	–	(15,997,180)	26,554,751
Contract assets	–	–	19,071,183	19,071,183
Current liabilities				
Trade and other payables and accruals	102,238,651	(8,202,299)	–	94,036,352
Contract liabilities	–	8,202,299	–	8,202,299
Capital and reserves				
Retained profits	244,104,140	–	3,074,003	247,178,143

* *The amounts in this column are before the adjustments from the application of HKFRS 9.*

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of profit or loss and other comprehensive income for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$	*HK$*	*HK$*
Current assets			
Inventories	32,510,153	13,281,749	45,791,902
Contract assets	15,719,178*	(15,719,178)	–
Current liabilities			
Trade and other payables and accruals	108,141,167	3,330,271	111,471,438
Contract liabilities	3,330,271	(3,330,271)	–
Capital and reserves			
Retained profits	220,413,818	(2,437,429)	217,976,389

* *This amount includes the adjustment of impairment of contract assets of approximately HK$218,921 from the application of HKFRS 9.*

Impact on the consolidated statement of profit and loss and other comprehensive income

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$	*HK$*	*HK$*
Revenue from goods and services	578,124,633	3,133,084	581,257,717
Rental income	7,304,238	–	7,304,238
Interest income from lending business	7,197,071	–	7,197,071
Total revenue	592,625,942	3,133,084	595,759,026
Cost of sales	(456,216,282)	(2,715,431)	(458,931,713)
Net impairment losses on trade receivables and contract assets	(11,402,625)	(64,902)	(11,467,527)

2.2 HKFRS 9 "Financial Instruments" and the related amendments

In the current year, the Group has applied HKFRS 9 "Financial Instruments", Amendments to HKFRS 9 "Prepayment Features with Negative Compensation" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities; 2) expected credit losses ("ECL") for financial assets and contract assets; and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Available-for-sale investments *HK$*	Held-for-trading investments *HK$*	Derivative financial instrument *HK$*	Financial assets at FVTPL *HK$*	Equity investments at FVTOCI *HK$*	Club membership *HK$*	Amortised cost (previously classified as loans and receivables) *HK$*	Contract assets *HK$*	Investment revaluation reserve *HK$*	Retained profits *HK$*
Closing balance at 31 December 2017 – HKAS 39	39,063,267	107,374,656	7,851,180	–	–	–	528,654,206	–	–	244,104,140
Effect arising from initial application of HKFRS 15	–	–	–	–	–	–	–	19,071,183	–	3,074,003
Effect arising from initial application of HKFRS 9:										
Reclassification										
From available-for-sale	(39,063,267)	–	–	–	35,659,567	3,403,700	–	–	(13,346,603)	13,346,603
From held-for-trading	–	(107,374,656)	–	107,374,656	–	–	–	–	–	–
From derivative financial instrument	–	–	(7,851,180)	7,851,180	–	–	–	–	–	–
Remeasurement										
Impairment under ECL model	–	–	–	–	–	–	(1,904,536)	(283,823)	–	(2,188,359)
From cost less impairment to fair value	–	–	–	–	282,713	–	–	–	282,713	–
Opening balance at 1 January 2018	–	–	–	115,225,836	35,942,280	3,403,700	526,749,670	18,787,360	(13,063,890)	258,336,387

All loss allowances for contract assets and trade receivables as at 31 December 2017 reconciled to the opening loss allowance as at 1 January 2018 is as follows:

	Contract assets *HK$*	**Trade receivables** *HK$*
At 31 December 2017 – HKAS 39	N/A	(3,127,071)
Amounts remeasured through opening retained profits	(283,823)	(1,904,536)
At 1 January 2018	(283,823)	(5,031,607)

In the opinion of the directors of the Company, the ECL on the amounts due from related parties is insignificant as at 1 January 2018.

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the entity's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	At 31 December 2017	HKFRS 15	HKFRS 9	At 1 January 2018
	HK$	*HK$*	*HK$*	*HK$*
	(Audited)			(Restated)
Non-current Assets				
Property, plant and equipment	125,412,446	–	–	125,412,446
Prepaid lease payments	63,444,314	–	–	63,444,314
Investment properties	229,165,879	–	–	229,165,879
Equity instruments at FVTOCI	–	–	21,749,561	21,749,561
Club membership	–	–	3,403,700	3,403,700
Available-for-sale investments	24,870,548	–	(24,870,548)	–
Interests in joint ventures	421,268	–	–	421,268
Deposits paid for acquisition of property, plant and equipment	5,543,984	–	–	5,543,984
	448,858,439	–	282,713	449,141,152
Current assets				
Inventories	42,551,931	(15,997,180)	–	26,554,751
Properties under development for sale	45,351,716	–	–	45,351,716
Held-for-trading investments	107,374,656	–	(107,374,656)	–
Derivative financial instrument	7,851,180	–	(7,851,180)	–
Financial assets at FVTPL	–	–	115,225,836	115,225,836
Equity instruments at FVTOCI	–	–	14,192,719	14,192,719
Available-for-sale investments	14,192,719	–	(14,192,719)	–
Trade and other receivables, prepayments and deposits	200,166,882	–	(1,904,536)	198,262,346
Contract assets	–	19,071,183	(283,823)	18,787,360
Loans to joint ventures	3,874,009	–	–	3,874,009
Loans receivable	31,055,801	–	–	31,055,801
Prepaid lease payments	1,345,094	–	–	1,345,094
Amounts due from related companies	1,310,456	–	–	1,310,456
Short-term bank deposits	102,879,162	–	–	102,879,162
Cash and cash equivalents	199,687,987	–	–	199,687,987
	757,641,593	3,074,003	(2,188,359)	758,527,237

	At 31 December 2017	HKFRS 15	HKFRS 9	At 1 January 2018
	HK$	*HK$*	*HK$*	*HK$*
	(Audited)			(Restated)
Current liabilities				
Trade and other payables and accruals	102,238,651	(8,202,299)	–	94,036,352
Contract liabilities	–	8,202,299	–	8,202,299
Tax liabilities	4,656,583	–	–	4,656,583
Amount due to a non-controlling shareholder of a subsidiary	18,011,527	–	–	18,011,527
Amount due to a related company	903,191	–	–	903,191
Obligations under finance leases – due within one year	182,179	–	–	182,179
Bank borrowings	59,892,800	–	–	59,892,800
	185,884,931	–	–	185,884,931
Net current assets	571,756,662	3,074,003	(2,188,359)	572,642,306
Total assets less current liabilities	1,020,615,101	3,074,003	(1,905,646)	1,021,783,458
Non-current liabilities				
Amount due to a related company	380,146	–	–	380,146
Deferred taxation	10,722,401	–	–	10,722,401
	11,102,547	–	–	11,102,547
Net assets	1,009,512,554	3,074,003	(1,905,646)	1,010,680,911
Capital and reserves				
Share capital	2,536,395	–	–	2,536,395
Reserves	1,008,687,044	3,074,003	(1,905,646)	1,009,855,401
Total attributable to owners of the Company	1,011,223,439	3,074,003	(1,905,646)	1,012,391,796
Non-controlling interests	(1,710,885)	–	–	(1,710,885)
Total equity	1,009,512,554	3,074,003	(1,905,646)	1,010,680,911

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

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

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

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

[4] *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*

[5] *Effective for annual periods beginning on or after 1 January 2020*

3. REVENUE FROM GOODS AND SERVICES

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.

4. SEGMENT INFORMATION

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) Distribution 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 segment:

	Revenue		Segment (loss) profit	
	2018	2017	**2018**	2017
	HK$	*HK$*	***HK$***	*HK$*
Gaming Distribution Business	**462,499**	1,513,933	**(7,079,906)**	(27,552,115)
Lending Business	**7,197,071**	4,611,231	**4,207,173**	2,211,095
Manufacturing and Sales Business	**525,690,488**	458,620,260	**2,779,057**	43,407,080
Music and Entertainment Business	**18,133,494**	10,513,580	**(2,819,534)**	(2,882,781)
Property Business	**7,304,238**	6,500,175	**12,127,985**	16,140,229
Securities Trading Business	**–**	–	**(36,052,451)**	(17,682,487)
Trading Business	**33,838,152**	33,774,464	**2,206,490**	2,332,176
Total	**592,625,942**	515,533,643	**(24,631,186)**	15,973,197
Bank interest income			**2,366,386**	1,339,407
Unallocated corporate expenses			**(12,947,983)**	(11,828,168)
Gain on land swap transaction			**–**	46,611,407
Unallocated share of results of joint ventures			**(7,518)**	(3,379)
(Loss) profit before taxation			**(35,220,301)**	52,092,464

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 (loss) profit represents the profit earned/loss incurred by each segment without allocation of bank interest income, unallocated corporate expenses, gain on land swap transaction, unallocated share of results of joint ventures and taxation. This is the measure reported to the Group's management for the purpose of resources allocation and performance assessment.

Revenue from major products and services

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

	2018	2017
	HK$	*HK$*
Sales of printing products	**559,528,640**	492,394,724
Artistes management fee income	**1,412,566**	1,578,804
Concerts and shows income	**7,580,861**	2,189,293
Income from the licensing of the musical works	**5,887,796**	3,698,379
Loan interest income from Lending Business	**7,197,071**	4,611,231
Other music and entertainment services	**144,219**	176,505
Promotion income	**991,841**	1,055,143
Rental income	**7,304,238**	6,500,175
Sales of albums	**2,116,211**	1,815,456
Distribution of gaming machines	**462,499**	1,513,933
	592,625,942	515,533,643

Geographical information

The Group's operation of Gaming Distribution Business, Manufacturing and Sales Business and Property Business are located in Hong Kong and the PRC. The Group's operation of Lending Business, Trading Business, Music and Entertainment Business and Securities Trading Business are located in 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	
	2018	2017	**2018**	2017
	HK$	*HK$*	***HK$***	*HK$*
Hong Kong	**257,927,242**	244,837,558	**241,874,638**	225,561,412
The PRC	**212,724,783**	139,952,285	**156,342,849**	198,426,479
Europe	**39,016,945**	45,446,256	**–**	–
United States	**57,217,365**	49,270,510	**–**	–
Others	**25,739,607**	36,027,034	**–**	–
	592,625,942	515,533,643	**398,217,487**	423,987,891

Note: Non-current assets exclude equity instruments at FVTOCI (2017: available-for-sale investments).

Information about major customers

There was no customer contributing over 10% of total sales of the Group for the year ended 31 December 2018 and 2017.

5. TAXATION

	2018	2017
	HK$	*HK$*
The taxation comprises:		
Hong Kong Profits Tax		
Charge for the year	**1,574,200**	1,687,471
Overprovision in prior years	**(159,049)**	–
	1,415,151	1,687,471
PRC Enterprise Income Tax		
Charge for the year	**1,673,941**	5,918,521
	3,089,092	7,605,992
Deferred tax credit for the year	**(84,878)**	(3,463,425)
	3,004,214	4,142,567

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 directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. 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.

6. (LOSS) PROFIT FOR THE YEAR

	2018	2017
	HK$	*HK$*
(Loss) profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**2,000,000**	1,900,000
Cost of inventories recognised as an expense (including write-down of inventories of HK$52,585 (2017: HK$543,411))	**213,110,596**	356,859,195
Depreciation of property, plant and equipment	**14,349,985**	10,273,310
Less: capitalised in inventories	**–***	(5,901,425)
Included in cost of sales	**(9,265,323)***	N/A
	5,084,662	4,371,885
Amortisation of prepaid lease payments	**1,279,870**	1,031,454
Minimum lease payments in respect of office/factory premises	**16,589,853**	12,540,307
Staff costs including directors' emoluments		
– Salaries, wages and other benefits	**165,753,655**	149,899,872
– Contributions to retirement benefits schemes	**9,544,501**	7,416,030
Less: capitalised in inventories	**–***	(78,907,026)
Included in cost of sales	**(102,824,847)***	N/A
Total staff costs	**72,473,309**	78,408,876
Research expense (included in administrative expenses)	**3,541,487**	2,595,935
Bank interest income (included in other interest income)	**(2,366,386)**	(1,339,407)
Interest income on loan to an available-for-sale investee (included in other interest income)	**–**	(593,101)
Technical consultancy services income (included in other income)	**(4,695,170)**	–
Dividend income (included in other income)	**(4,667,276)**	(1,518,823)
Government grants (included in other income)	**(1,267,175)**	(1,034,443)
Gross rental income from investment properties	**(7,304,238)**	(6,500,175)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	**12,248**	9,838
	(7,291,990)	(6,490,337)

* *Upon the application of HKFRS 15, revenue relating to manufacturing and sales of printing products were recognised over time and the relevant expenses were charged to the cost of sales directly.*

7. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2018 and 2017, nor has any dividend been proposed since the end of the reporting period.

8. (LOSS) EARNINGS PER SHARE

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

	2018	2017
	HK$	*HK$*
(Loss) profit for the year attributable to owners of the Company for the purpose of calculating basic (loss) earnings per share	**(37,922,569)**	48,145,604

	2018	2017
Number of ordinary shares in issue for the purpose of calculating basic (loss) earnings per share	**253,639,456**	253,639,456

No separate diluted (loss) earnings per share information has been presented as there were no potential ordinary shares outstanding issue for both years.

9. LOANS TO JOINT VENTURES/INTERESTS IN JOINT VENTURES

	2018	2017
	HK$	*HK$*
Costs of investments in unlisted joint ventures	**16**	16
Share of post-acquisition profit and other comprehensive income	**413,734**	421,252
	413,750	421,268
Loan to Reliance Partner Limited	**3,215,059**	3,874,009
Loan to Estate Summit Limited	**13,945,477**	12,554,385
Share of post-acquisition losses and other comprehensive expense	**(4,411,177)**	(4,411,177)
Loss recognised	**(9,534,300)**	(8,143,208)
	3,215,059	3,874,009
Less: Amount repayable within one year shown under current asset	**(3,215,059)**	(3,874,009)
Amount repayable after one year	**–**	–

10. 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. Credit period of 120 days 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 credit losses presented based on the invoice date at the end of the reporting period.

	2018	2017
	HK$	*HK$*
Manufacturing and Sales Business and Trading Business:		
0 – 30 days	**76,230,986**	68,616,555
31 – 60 days	**36,395,013**	36,088,683
61 – 90 days	**24,413,368**	17,694,689
Over 90 days	**7,817,443**	26,024,733
	144,856,810	148,424,660
Music and Entertainment Business:		
0 – 30 days	**1,379,153**	2,093,211
31 – 60 days	**245,948**	932,720
61 – 90 days	**24,136**	144,096
Over 90 days	**550,499**	527,702
	2,199,736	3,697,729
Total trade receivables	**147,056,546**	152,122,389
Receivables with brokers' houses	**634,093**	23,277,909
Deposits and receivables	**7,244,996**	10,065,553
Other tax recoverable	**3,436,230**	4,974,956
Prepayments	**13,412,360**	9,726,075
	171,784,225	200,166,882
Analysed for reporting purposes as:		
Current assets	**167,372,625**	200,166,882
Non-current assets	**4,411,600**	–
	171,784,225	200,166,882

11. 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.

	2018	2017
	HK$	*HK$*
0 – 30 days	**38,980,474**	47,258,847
31 – 60 days	**11,879,341**	6,512,279
61 – 90 days	**4,100,484**	2,064,705
Over 90 days	**4,092,557**	1,901,104
	59,052,856	57,736,935
Accrued expenses and other payables	**34,088,311**	44,501,716
Refundable deposit received for potential disposal of subsidiary	**15,000,000**	–
	108,141,167	102,238,651

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the year ended 31 December 2018 (the "Year"), Neway Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") stepped up their sales and marketing efforts to increase the revenue of various segments and the revenue of most of the segments increased as compared with the year ended 31 December 2017 ("Year 2017"). The revenue of the Year increased by 15.0% as compared with the Year 2017. However, the Group also experienced a variety of market challenges and uncertainties in global economy, including but not limited to the appreciation of Renminbi against Hong Kong dollars, the soaring materials and operating costs, which undermined the profit margin of orders received, and the trade war between the United States (the "U.S.") and the People's Republic of China (the "PRC"). These factors affected the business of the Group adversely, especially the Manufacturing and Sales Business, and the segment results of the Group decreased by approximately HK$40.6 million as compared with Year 2017.

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$592.6 million (Year 2017: approximately HK$515.5 million) and the gross profit margin was approximately 23.0% (Year 2017: 30.8%). The segments' respective contributions to the revenue of the Group are as follows:

	2018	**Approximate % to total revenue**	2017	Approximate % to total revenue
	HK$		*HK$*	
Gaming Distribution Business	**462,499**	**0.1%**	1,513,933	0.3%
Lending Business	**7,197,071**	**1.2%**	4,611,231	0.9%
Manufacturing and Sales Business	**525,690,488**	**88.7%**	458,620,260	89.0%
Music and Entertainment Business	**18,133,494**	**3.1%**	10,513,580	2.0%
Property Business	**7,304,238**	**1.2%**	6,500,175	1.3%
Trading Business	**33,838,152**	**5.7%**	33,774,464	6.5%
Total revenue	**592,625,942**	**100%**	515,533,643	100%

Gaming Distribution Business

The Gaming Distribution Business is the distribution of gaming machines to Takara Gaming Solutions Limited ("Takara Gaming"), a company principally engaged in gaming business and indirectly held as to approximately 73.61% by a discretionary trust for the benefits of the immediate family member(s) of Mr. SUEK Ka Lun, Ernie ("Mr. Suek"), an executive Director and the chairman of the Company.

During the Year, 中星皓天科技(深圳)有限公司 (unofficial English translation being Zhongxing Haotian Technology (Shenzhen) Co., Ltd) ("Zhongxing Haotian"), a wholly-owned subsidiary of the Company established in the PRC, entered into two service contracts with Takara Gaming and its wholly-owned subsidiary in the PRC (collectively the "Takara Gaming Group"), pursuant to which the Group was engaged to develop certain software products and provide technical training, support and technical consultancy services related to multimedia application software to Takara Gaming Group. Such income was recorded in other income in the consolidated financial statements. Meanwhile, a cost reduction strategy was adopted and the expense incurred in this segment was significantly decreased by approximately 47.5% for the Year as compared with Year 2017. Overall, the Gaming Distribution Business recorded a decrease in segment loss of approximately 74.3% for the Year as compared with Year 2017.

Lending Business

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

For the money lending business in Hong Kong, the Group has paid more efforts to expand its customer base and loan portfolio actively, and has participated in more joint loan arrangements with other licensed money lenders in Hong Kong during the Year. The Group's loan portfolio increased to approximately HK$80.8 million as at 31 December 2018 (31 December 2017: HK$31.1 million). Majority of interest income was received on time. During the Year, loan interest income increased by approximately 56.1% to approximately HK$7.2 million (Year 2017: HK$4.6 million). The increase in loan interest income was mainly resulted from the enlarged loan portfolio during the Year. The segment results of the Lending Business increased by approximately 90.3% to HK$4.2 million (Year 2017: HK$2.2 million). As majority loans receivable were financed by internal resources and low manpower was required for the daily operation of the Lending Business, the Group could maintain a low operating cost, and a high profit margin was achieved accordingly.

Manufacturing and Sales Business

This segment represented 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 customer base of this segment covered the worldwide market.

During the Year, the Manufacturing and Sales Business continued to adopt two strategies as in Year 2017, including: (i) continuous cost reduction, as well as efficiency and quality enhancement of factories in the PRC; and (ii) expansion of sales network to customers with higher profit margin. In order to meet the increasing quality demand of our customers, the Group devoted more financial resources in: (i) the acquisition of new machineries for replacing the labour intensive workflow and aged machineries for enhancing production capacity and efficiency; and (ii) the renovation and reorganisation of production zones of different product lines inside the factories in Shenzhen, the PRC for improving the efficiency and effectiveness and shortening the lead time between each process.

The segment revenue increased by approximately 14.6% to HK$525.7 million for the Year (Year 2017: approximately HK$458.6 million). The increase in revenue was mainly caused by the increase in sales orders from some existing and new customers from overseas countries and the PRC, especially the sales of paper products and paper shopping bags increased by approximately 17.1% and 148.0% respectively.

The segment profit for the Year decreased significantly by approximately 93.6% to approximately HK$2.8 million (Year 2017: approximately HK$43.4 million). The segment profit margin for the Year was approximately 0.5% (Year 2017: approximately 9.5%). The drop in profit margin was mainly attributable to:

(i) The material consumption rate increased by approximately 3.1% as compared with Year 2017 and the product mix changed also. The prices of materials, especially certain main materials, such as paper, increased significantly in late 2017 and in early 2018, which contributed to the increase in material costs recorded in this segment for the Year. Although the increasing trend of certain material prices have been stabilised during the second half of the Year, the average material costs of inventories being used in production during the Year was still relatively high. As such, the overall material consumption rate was pushed up. In addition, it is noted that the revenue from some products with lesser material requirement decreased for the Year which also pushed up the overall material consumption rate of this segment.

(ii) The ratio of total staff costs and related expenses to sales for this segment during the Year increased slightly by approximately 1.1% as compared with Year 2017. During the Year, the Group employed more high caliber production staff members to enhance the efficiency of work processes and the quality of products.

(iii) The exchange rate of Renminbi against Hong Kong dollars appreciated during the Year. The average exchange rate of Renminbi against Hong Kong dollars appreciated by approximately 2.1% as compared with Year 2017. The fluctuation brought a negative impact on the segment profit as most of the production and operating expenses were dominated in Renminbi and approximately 64.6% of the sales of this segment was dominated in Hong Kong dollars or currencies other than Renminbi.

(iv) The gain on disposal of plant and machinery decreased by approximately HK$4.0 million as compared with Year 2017.

(v) The net impairment losses on trade receivables and contract assets was approximately HK$11.4 million (Year 2017: net reversal of impairment losses on trade receivables of approximately HK$1.2 million). This included the specific provision of a single overseas customer for paper bag products, of which the management of the Company expected that a high default risk might occur. The Group is taking legal actions against this overseas customer and the case is in progress as at the date of this announcement.

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.

The revenue of this segment increased by approximately 72.5% to HK$18.1 million (Year 2017: approximately HK$10.5 million) and the loss of this segment for the Year was approximately HK$2.8 million (Year 2017: approximately HK$2.9 million).

The increase in revenue was mainly attributable to:

(i) The revenue from concerts and shows increased by approximately 246.3% to HK$7.6 million (Year 2017: approximately HK$2.2 million). Two concerts were organised by a subsidiary of the Group for two artistes respectively, namely, Lai Shui Yan, Vivian and Suen Yiu Wai, Eric during the Year, thus pushing up the revenue of this segment.

(ii) The musical work licensing income increased by approximately 59.2% to HK$5.9 million (Year 2017: approximately HK$3.7 million), attributable to the licensing income received from an International Federation of the Phonographic Industry.

The segment margin was improved to –15.5% in the Year from –27.4% in Year 2017, mainly attributable to the increased song licensing income generated from the song masters owned or licensed by the Group.

During the Year, the Group acquired a private company from a connected person which is principally engaged in artists management business, at a consideration of approximately HK$271,000.

Property Business

Property development business

The Group had two property development projects as at 31 December 2018. 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 equity instrument at fair value through other comprehensive income ("FVTOCI") of the Group. Another 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 holds the land use right of a commercial land parcel in Chengdu, the PRC. The related property consisted of both residential and commercial units. On 24 July 2017, the Group served an exercise notice to Kwong Da Enterprises Limited ("Kwong Da") to exercise the put option by which Kwong Da should acquire the entire issued share capital of a subsidiary of the Group which indirectly owning 16.67% of Yinghua at the put option consideration of RMB30 million. Completion of such disposal was originally agreed to take place on or before 10 January 2018.

On 10 January 2018, the Group agreed with Kwong Da in writing to extend the completion date to a day on or before 31 May 2018 (or such other date as may be agreed by both parties in writing) and Kwong Da has agreed and undertaken to pay interest on the outstanding put option consideration of RMB22 million at the rate of 10% per annum, calculated from 10 January 2018 to the completion date. On 31 August 2018, the completion date was further extended to a day on or before 31 December 2018 (so such other date as may be agreed by both parties in writing). The Group received interest amounted to approximately HK$1.6 million, representing the interest accrued from 10 January 2018 to 31 August 2018, and recorded the amount under other income in the consolidated financial statements. The Group also received RMB2.2 million as the partial payment of the put option consideration during the Year. As at the date of this announcement, the outstanding put option consideration was RMB19.8 million.

Since completion has not taken place on 31 December 2018, after lengthy negotiation and discussion between the parties, on 28 March 2019, the Group, Kwong Da, Kada Capital Investments Limited ("Kada") and the common director of Kwong Da and Kada entered into a confirmation deed to agree on a loan arrangement and the completion arrangement of the disposal. It is conditionally agreed that the Group will provide a loan, through Grand Prospects Finance International Limited, a wholly-owned subsidiary of the Company ("Grand Prospects"), to Kada in an amount for the settlement of the outstanding put option consideration and interest accrued payable by Kwong Da to the Group. The disposal will complete upon drawdown of the loan. The confirmation deed is subject to approval by the shareholders of the Company. Please refer to the announcement of the Company dated 28 March 2019 for details.

Zhongqing holds the land use right of two commercial land parcels in Qingyuan, the PRC. On 18 June 2014, 深圳市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 at 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 land parcels owned by Zhongqing from 24 June 2014 to 23 June 2016 (the "Freeze Order"). The Freeze Order aimed to ensure that Zhongqing has 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 failed 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 had 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 is from 13 June 2016 to 12 June 2019. During the Year, the management of the Group has assessed the following factors, including but not limited to: (i) the relevant costs and the land auction procedures in resolving the land freezing matter; (ii) the current development plan of Qingyuan City; (iii) the demand and supply of the property market in Qingyuan City; and (iv) the business objectives and resources allocation of various business segments of the Group. The management of the Group considered no further action should be taken at the moment, and the Group will closely monitor the negotiation progress with business partner and will take further legal actions to protect the Group's interest when appropriate. At the moment, the Group will also seek for any disposal opportunity of the land.

Property investment business

The property investment business included: (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 in Hong Kong and the PRC during the Year.

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 2018, the occupancy rate of the storage units decreased to approximately 83% (31 December 2017: approximately 92%).

During the Year, in order to meet the safety requirements stipulated by relevant government authorities, the Group engaged a contractor to renovate the ground floor and 1st floor of the Fanling Building. As at 31 December 2018, the renovation work of ground floor was almost completed and was pending a final inspection of relevant government authorities. The renovation work of 1st floor was commenced during the Year and remained in progress as at the date of this announcement and was expected to be completed in 2019. As some storage units were not available for lease to the customers during the renovation period, the occupancy rate of the storage units was affected. The Group will closely monitor the progress of the renovation work and minimise its impact to the customers. On the other hand, depending on the market condition and the cash flow requirement of the Group, 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.

Office leasing business

The office leasing business, being the operation of the business service centre in Kwun Tong, Hong Kong, was 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 only around 73% of units was rented out as at 31 December 2018 (31 December 2017: approximately 94%) due to the keen market competition in Kwun Tong. During the Year, the Group has recognised a loss in respect of a loan to a joint venture of approximately HK$1.4 million due to prolonged financial loss incurred by Estate Summit.

After evaluating the financial performance of the business service centre, the demand and supply condition and the competition of business service centre in Kwun Tong, the Group and the joint venture partner agreed to cease the business. As agreed by the landlord, the tenancy agreement of the business service centre was early terminated at the end of February 2019 and all contracts of the business service centre with customers were also terminated.

Property leasing and investment

The property leasing business involved two properties of the Group. The first properties are commercial properties situated in Yuen Long, Hong Kong (the "Yuen Long Properties"), which were leased to a related company of the Group and were operating as a karaoke outlet as at 31 December 2018. The revenue from such lease remained stable as compared with Year 2017. Approximately 60.8% of revenue of the Property Business was derived from the Yuen Long Properties. The Group has signed a nine-year tenancy agreement with two renewal option terms with the tenant in 2016 and the first term of tenancy agreement was expired on 15 March 2019. According to first renewal term, the monthly rent for the first renewal term would be increased at a range of 0% to 10% of the monthly rent. The Group is conducting a market research on the rental market in the area of Yuen Long and is negotiating the monthly rent for first renewal term with the tenant. It is expected that a conclusion will be reached by mid-April 2019.

The second property is a commercial property situated in Beijing, the PRC (the "Beijing Property"). The Beijing Property was re-classified as an investment property in Year 2017 upon the change of property usage. During the Year, the Beijing Property was leased to an independent third party and the rental income was approximately HK$331,000.

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 and were carried at market value. A fair value gain of approximately HK$10.9 million was recorded in "other gain and loss" of the Group during the Year (Year 2017: approximately HK$20.3 million).

Trading Business

The Trading Business included: (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 remained stable at approximately HK$33.8 million (Year 2017: approximately HK$33.8 million). The segment profit margin for the Year slightly dropped to approximately 6.5% (Year 2017: approximately 6.9%). The drop in segment profit margin was due to the drop of profit margin of the trading of printing products in the PRC, which was attributable to the fact that sales efforts were mainly placed on the Manufacturing and Sales Business and most of the manpower of this business was used to support the operation of the Manufacturing and Sales Business. For the operation of neighbourhood stores in the PRC, the operation was inactive during the Year. The Group will cease the operation within 2019.

Securities Trading and Equity Investments Business

During the Year, the Group recorded a fair value loss of securities trading investments listed in Hong Kong of approximately HK$35.5 million (Year 2017: approximately HK$19.2 million), a realised loss of approximately HK$8.6 million (Year 2017: approximately HK$2.8 million) and a dividend income of approximately HK$2.8 million (Year 2017: approximately HK$1.5 million).

Set out below is the breakdown of the Group's equity instruments at FVTOCI and financial assets at fair value through profit and loss ("FVTPL") as at 31 December 2018:

Description of investments	*Notes*	**Form of investments**	**Principal activities of invested companies**	**Percentage of total share capital held by the Group**	**Fair value as at 31 December 2018** *HK$*	**Percentage to the Group's audited net assets as at 31 December 2018** *(approximate)*	**Percentage to the Group's audited total assets as at 31 December 2018** *(approximate)*
Top five largest investments of the Group in terms of value as at 31 December 2018							
Wang On Properties Limited (stock code: 01243)		Financial assets at FVTPL	Property development and property investment	0.36%	56,992,000	6.1%	4.9%
Equity Investment in Yinghua		Equity instruments at FVTOCI	Property development in the PRC	16.67%	14,679,744	1.6%	1.3%
Zhong Wei Capital, L.P.		Equity instruments at FVTOCI	Offshore investment fund	1.33%	11,182,228	1.2%	1.0%
Derivative financial instrument in Yinghua		Financial assets at FVTPL	Property development in the PRC	N/A	6,651,180	0.7%	0.6%
Earthasia International Holdings Limited (stock code: 6128)		Financial assets at FVTPL	Landscape architecture in Hong Kong and Mainland China and catering business in Mainland China and Italy	0.35%	7,170,000	0.8%	0.6%
Other investments							
Other equity investments, at fair value	*(a), (c)*	Equity instruments at FVTOCI	N/A		391,500	0.04%	0.03%
Other equity securities listed in Hong Kong	*(b)*	Financial assets at FVTPL	N/A		17,082,200	1.8%	1.5%
Total					114,148,852	12.3%	9.9%

Notes:

(a) Equity investments carried at fair value under this category represented the Group's investments in a company incorporated in Hong Kong.

(b) Equity securities listed in Hong Kong under this category represented the Group's investments in 18 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 that accounts for less than 5% of the Group's audited net assets as at 31 December 2018.

(c) The Group recognised fair value loss on two equity instruments in 深圳市住百家發展股份有限公司 and WTR Health Limited at an aggregate amount of approximately HK$14.3 million after assessing the current financial position and the financial forecast of the invested companies and the recoverability of the equity instruments. The fair value loss was recorded under other comprehensive expenses in the consolidated financial statement.

The Group received an investment income of approximately HK$1.8 million from its investment in Zhong Wei Capital L.P. during the Year and expected that such investment would generate a positive investment return in the future.

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 investments after purchase as well as adjust the investment strategy in a cautious manner as and when necessary to minimise the impact of market volatility.

OTHER GAINS AND LOSSES

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

	2018	2017
	HK$	*HK$*
Change in fair value of derivative financial instrument	**–**	(2,837,217)
Change in fair value of financial assets at FVTPL	**(36,657,753)**	–
Change in fair value of held-for-trading investments	**–**	(19,173,556)
Change in fair value of investment properties	**10,942,146**	20,273,024
Gain on land swap transaction *(Note 2)*	**–**	46,611,407
Loss recognised in respect of loans to a joint venture *(Note 3)*	**(1,391,092)**	(2,874,868)
Loss on disposal of a subsidiary *(Note 1)*	**–**	(5,396,840)
Net foreign exchange gains (loss)	**946,511**	(678,650)
Net gain on disposal of property, plant and equipment	**260,845**	4,244,150
Total	**(25,899,343)**	40,167,450

Notes:

(1) In Year 2017, 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 wholly-owned by the trustee of a discretionary trust of which the immediate family member(s) of Mr. Suek is/are one of the discretionary objects as purchaser, in relation to the disposal of entire issued share capital of Power Rank International Limited at a consideration of HK$2.34 million.

(2) Due to the 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 land parcels with a total area of approximately 311.748 mu in Qingyuan City, the PRC (the "Existing Land"), swapped the land with a new parcel of land with an total area of 312 mu situated in Qingyuan City, the PRC (the "New Land") and a compensatory payment of RMB45,009,700. The land swap 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 recognised a loss in respect of its investment made in Estate Summit, a joint venture of the Group principally engaged in the office leasing business in Hong Kong. For the reasons of such loss, 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 2018 and 31 December 2017:

	Notes	**As at 31 December 2018**	As at 31 December 2017
Current ratio	*(i)*	**3.4**	4.1
Quick ratio	*(ii)*	**3.1**	3.6
Gearing ratio *(%)*	*(iii)*	**11.3**	7.9

Notes:

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

(ii) Quick ratio is calculated by dividing total current assets and assets classified as held for sale less inventories and 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, obligations under finance leases and amount due to a non-controlling shareholder of a subsidiary.

As at 31 December 2018, the Group had short-term bank deposits and cash and cash equivalents of approximately HK$209.5 million (31 December 2017: approximately HK$302.6 million) and total borrowings of approximately HK$104.3 million (31 December 2017: approximately HK$79.4 million).

The total borrowings included the amount due to a related company, bank borrowings, obligations under finance leases and amount due to a non-controlling shareholder of a subsidiary. The amount due to a related company was unsecured, payable within a period over five years and bore fixed-interest rates ranging from 18%-20% per annum. The secured bank borrowings were payable within five years and carried interest at the Hong Kong Inter-bank Offered Rate ("HIBOR") plus 1.85% to 2.5% per annum. The amount due to a non-controlling shareholder of a subsidiary was unsecured, interest-free and repayable on demand. The obligations under finance leases represented leases of certain motor vehicles for a remaining term of one year at a fixed interest rate of 2.8% per annum in Year 2017.

All borrowings were denominated in Hong Kong dollars and Renminbi and the majority of cash and cash equivalents was denominated in Renminbi, Hong Kong dollars and U.S. dollars.

The current ratio and quick ratio indicated an ample cash flow and a stable liquidity position as at 31 December 2018. However, these ratios were lowered because: (i) cash and cash equivalents decreased as the Group allocated more financial resources to the Manufacturing and Sales Business in renovation of factories and acquisition of machineries and equipments during the Year; and (ii) bank borrowings were increased to finance the daily operation of the Manufacturing and Sales Business.

The gearing ratio of the Company remained low, indicating that the liquidity of the Group remained strong and healthy as at 31 December 2018. The gearing ratio increased from 7.9% to 11.3% as at 31 December 2018, mainly attributable to the increase in bank borrowing for financing the daily operation of the Manufacturing and Sales Business.

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 for the Shareholders.

Gaming Distribution Business

The management expects that the services provided by Zhongxing Haotian to the Takara Gaming Group will continue to improve the segment results of the Gaming Distribution Business. Besides, the Group will try its best to increase the revenue by providing technical services to other independent parties and will continue to adopt the cost reduction strategy in the future.

Lending Business

Due to the keen competition in this market and the volatile economic environment, the risks and difficulties facing the Lending Business may be intensified in the course of loan portfolio expansion. The Group will also closely monitor the repayment abilities of borrowers and perform risk assessment on each loan application prudently. Meanwhile, the Group will devote more resources to develop an online money lending platform with more fin-tech elements to provide more value-added services to our customers. The Group will also continue to identify new customers and allocate more financial resources for business development in the future.

Manufacturing and Sales Business and Trading Business

Quality management and enhancement will be the focus of the Manufacturing and Sales Business in the year of 2019. To provide products and services of the best quality to our customers, the Group will devote more human resources and financial resources to provide more technical training programmes and organise more activities and campaigns to deliver this important and positive messages throughout all levels of the entities, which will be led by the key management of the Group.

Looking forward to 2019, more challenges are expected, including: (i) the further increase in prices of raw materials; (ii) the further increase in labour costs in Shenzhen; (iii) the more stringent environmental requirements in Shenzhen; and (iv) the global economic uncertainty, such as the impact of the trade war between the U.S. and the PRC and the possible impact of Brexit, which may adversely affect the business of the export sales customers.

To cope with the challenges faced by the printing industry and to maintain the profitability of this segment, 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) quality management and enhancement of its products as mentioned above and introduction of new product lines to enhance its competitiveness as a whole; (iv) procurement of alternative materials, verification of their quality and negotiation with vendors for more favourable terms; (v) expansion of its market share to cover high value products, allocation of more resources to upgrade the facilities and recruitment of more skilled labours to meet the requirement of customers; (vi) continuous allocation of more financial resources to acquire new machineries to lessen the extent of labour intensive works and increase the factory capacity as a whole; and (vii) allocation of more sales and marketing resources to further expand in countries other than the U.S. and evaluation of long term cooperation or joint venture opportunities with other printing manufacturers with production facilities in other Asian countries to diversify the risks arising from the trade war between the U.S. and the PRC.

In 2017, the Group completed the land swap transaction with the Qingyuan government, and civil works were commenced and nearly completed by the end of the Year. Due to the global economic uncertainty, the Group is re-evaluating the risk and return of establishing new production plants for the Manufacturing and Sales Business because substantial capital investment will be required. The original construction plan of new plants will be slowed down. The Group will reconsider the business relocation plan and the factory construction plan after evaluating the future business direction and development plan and the associated costs and benefit of this segment. Furthermore, the Group will actively seek for cooperation opportunities with companies in other industry to better utilise and develop the land parcel in Qingyuan as mentioned in the Property Business in this section as below.

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 to 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 commercial land parcels held by Zhongqing in Qingyuan as mentioned in the business and financial review section of the Property Business above, the Group is also seeking co-operation opportunities with third parties to develop a logistic centre or other facilities to serve the new Chimelong Tourist Resort, which is in line with the future city development plan of Qingyuan.

In respect of the property investment business, the Group will aim to complete the renovation work of mini-storage spaces on both ground floor and 1st floor and obtain the approval from relevant government authorities in the year of 2019. Moreover, the Group will allocate more resources to promote the mini-storage business and rebound the decrease of the occupancy rate due to the renovation work during the Year. 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 expects that the fair value of equity securities listed in Hong Kong may keep fluctuating in the foreseeable future due to the volatile global economic environment. The Group will closely monitor the market and market data related to the prospective investees before committing to any securities investment, and will closely monitor the performance of the investments after purchasing as well as adjust the investment strategy in a cautious manner when necessary to minimise the impact of market volatility. The Group will allocate less financial resources to the Securities Trading Business gradually and reallocate more resources to develop other business segment.

The Board would like to emphasise 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, Hong Kong dollars and U.S. dollars. Except for Renminbi, there was no significant fluctuation in the exchange rate of Hong Kong dollars and U.S. dollars during the Year. The management will closely monitor the foreign exchange rate risk of Renminbi and identify significant adverse impact (if any) it may cause on the Group's operations in the PRC. The Group will consider using appropriate hedging solutions when necessary. The Group did not use any financial instrument for hedging purpose during the Year and it did not have any outstanding hedging instrument as at 31 December 2018.

CAPITAL EXPENDITURE

During the Year, capital expenditure of the Group for property, plant and equipment amounted to approximately HK$48.0 million (Year 2017: approximately HK$13.6 million). The capital expenditure for the Year was mainly attributable to the acquisition of machineries for production in the PRC, the renovation work of two factories in Shenzhen and the construction work conducted on the industrial land in Qingyuan.

CAPITAL COMMITMENTS

As at 31 December 2018, the Group had capital commitments of approximately HK$5.7 million (31 December 2017: approximately HK$7.8 million) which had been contracted for but had not been provided for in the financial statements for the acquisition of property, plant and equipment. The Group did not have any capital commitment 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 2018 (31 December 2017: Nil).

PLEDGE OF ASSETS

As at 31 December 2018, the Group pledged leasehold building and investment properties with an aggregate carrying value of approximately HK$233.5 million (31 December 2017: approximately HK$222.4 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 2018.

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 2018, the Group had approximately 1,600 full-time employees (31 December 2017: approximately 1,500). Total staff costs (including Directors' remuneration) for the Year was approximately HK$175.3 million (Year 2017: approximately HK$157.3 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, including discretionary bonus, 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

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 (the "Disposal of Zen Vantage Group"). Completion shall be conditional upon, among others, the obtaining of the approval from the shareholders of the Company 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 "Zen Vantage Group"); and (ii) the principal assets of the Zen Vantage 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. Shareholders' approval has been obtained for the Disposal of Zen Vantage Group during the Year. Completion of the Disposal of Zen Vantage Group has yet to take place as at the date of this announcement. For further details, please refer to the announcements of the Company dated 16 March 2018, 11 April 2018, and 31 December 2018 and the circular of the Company dated 25 June 2018.

EVENTS AFTER REPORTING PERIOD

Major transaction – Acquisition of machinery

On 21 January 2019, 中星中大印刷(深圳)有限公司 (unofficial English translation being Neway Chung Tai Printing (Shenzhen) Company Limited) ("Neway Chung Tai (SZ)") entered into the sales contract with Heidelberg China Limited (海德堡中國有限公司) ("Vendor") for the acquisition of a six-colour offset press with coating system at a contract price of EUR1,464,777 (equivalent to approximately HK$13,196,000). Such acquisition, when aggregated with (i) the acquisition of a IST UV system for seven-colour offset press with coating system by the Neway Chung Tai (SZ) from the Vendor pursuant to the sales contract dated 6 July 2018 signed between the Vendor and the Neway Chung Tai (SZ); and (ii) the acquisition of a seven-colour offset press with coating system by the Group from a fellow subsidiary of the Vendor pursuant to a sales contract dated 6 July 2018 signed between such fellow subsidiary of the Vendor and the Neway Chung Tai (SZ), constitutes a major transaction of the Company. The acquisition has not yet completed as at the date of this announcement.

For further details, please refer to the announcement of the Company dated 21 January 2019 and the circular of the Company dated 28 March 2019.

Discloseable transaction – Provision of a loan to third party

On 14 February 2019, Grand Prospects and an independent third party lender entered into the loan agreement with the borrower and the mortgagor. Pursuant to the loan agreement, Grand Prospects and the independent third party lender agreed to grant to the borrower, which is an independent third party, the loan in an aggregate principal amount of HK$13,000,000 for a term of 12 months, bearing interest at a current rate of 13.125% per annum. The principal amount contributed by Grand Prospects to the Loan was HK$6,500,000.

Also on 14 February 2019, Grand Prospects and the independent third party lender entered into a memorandum of cooperation which governs the rights and obligations among them in respect of the Loan.

As the borrower is an associate of the mortgagor and the loan is granted to the borrower within 12 months from the grant of the previous loan to the mortgagor, the contribution by Grand Prospects to the loan is aggregated with its contribution to the previous loan in calculating the applicable percentage ratios (as defined under the Listing Rules). Therefore, such loan arrangement constituted a discloseable transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). For further details, please refer to the announcement of the Company dated 14 February 2019.

Discloseable transaction – Renovation framework contract

On 22 March 2019, Neway Chung Tai (SZ), a wholly-owned subsidiary of the Company, entered into the renovation framework contract with a contractor pursuant to which the contractor has agreed to undertake the renovation works for Neway Chung Tai (SZ) at a total contract price of not more than RMB2.4 million (equivalent to approximately HK$2,803,000). During the period from 23 July 2018 to 21 February 2019, the Group has signed various contracts with the contractor for the refurbishment of the SZ Factory at an aggregate contract price of approximately RMB2.7 million (equivalent to approximately HK$3,154,000). The renovation framework contract, when aggregated with the various contracts, constitutes a discloseable transaction of the Company. For further details, please refer to the announcement of the Company dated 22 March 2019.

Major transaction – Proposed grant of loan

On 28 March 2019, the Group, Kwong Da, Kada and the common director of Kwong Da and Kada entered into a confirmation deed to agree on a loan arrangement and the completion arrangement relating to the put option. The confirmation deed is subject to the approval by the shareholders of the Company. Please refer to the announcement of the Company dated 28 March 2019 for details.

DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (Year 2017: 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 then prevailing Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules throughout the Year:

Provision A.2.7 of the CG Code

Provision A.2.7 of the CG Code prevailing during the Year required 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 of the Board during the Year, namely Mr. Suek was himself an executive Director and as such, compliance with this code provision was infeasible. However, Provision A.2.7 of the CG Code has been amended with effect from 1 January 2019 and now requires the chairman of the Board to hold meetings at least annually with the independent non-executive Directors without the presence of other Directors. The Company will comply with this provision in coming years.

Provisions A.5.1 to A.5.5 of the CG Code

The Board has not established a nomination committee which was in deviation from Provisions A.5.1 to A.5.5 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 Mr. Lee Kwok Wan, an independent non-executive Director who was unable to attend the special general meeting of the Company held on 13 July 2018 due to his other business commitments, all non-executive Directors and independent non-executive Directors attended all general meetings of the Company held during the Year.

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 code of conduct regarding Directors' securities transactions. Having made specific enquiry with 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 by 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 2018 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 2018 will be despatched to the Shareholders and be available on the above websites in April 2019.

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, 28 March 2019

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.