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 2019

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 2019 (the "Year"), together with the comparative figures for the year ended 31 December 2018 ("Year 2018") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	HK$	*HK$*
Total revenue	**560,585,247**	592,625,942
Gross proceeds from sale of held-for-trading investments	**8,955,639**	39,230,890
	569,540,886	631,856,832

* *For identification purpose only*

	NOTES	2019 HK$	2018 HK$ (Re-presented)
Continuing operations			
Revenue	*4*		
Revenue from goods and services		**544,782,853**	577,662,134
Rental income		**7,310,989**	7,304,238
Interest income from lending business		**8,491,405**	7,197,071
Total revenue from continuing operations		**560,585,247**	592,163,443
Cost of sales		**(408,798,120)**	(455,564,786)
Gross profit		**151,787,127**	136,598,657
Other interest income		**1,343,276**	2,366,386
Other income		**5,717,225**	8,171,626
Selling and distribution expenses		**(34,827,860)**	(29,784,530)
Administrative expenses		**(109,972,468)**	(105,084,670)
Other gains and losses		**(24,623,820)**	(25,899,343)
Net impairment losses on financial assets and contract assets		**(4,869,880)**	(11,402,625)
Finance costs		**(5,920,964)**	(3,098,378)
Share of results of joint ventures		**(9,268)**	(7,518)
Loss before taxation from continuing operations		**(21,376,632)**	(28,140,395)
Taxation	*6*	**(5,979,227)**	(3,004,214)
Loss for the year from continuing operations	*7*	**(27,355,859)**	(31,144,609)
Discontinued operation			
Loss for the year from discontinued operation	*8*	**(3,617,421)**	(7,079,906)
Loss for the year		**(30,973,280)**	(38,224,515)

	NOTE	2019 HK$	2018 HK$ (Re-presented)
Other comprehensive expense:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(9,129,367)**	(32,468,608)
Transfer of translation reserve to profit or loss upon disposal of a subsidiary		**(960,888)**	–
Item that will not be reclassified to profit or loss:			
Fair value loss on equity instruments at fair value through other comprehensive income ("FVTOCI")		**–**	(12,705,867)
		(10,090,255)	(45,174,475)
Total comprehensive expense for the year		**(41,063,535)**	(83,398,990)
Loss for the year attributable to owners of the Company			
– from continuing operations		**(27,165,061)**	(30,842,663)
– from discontinued operation		**(3,617,421)**	(7,079,906)
		(30,782,482)	(37,922,569)
Loss for the year attributable to non-controlling interests			
– from continuing operations		**(190,798)**	(301,946)
		(30,973,280)	(38,224,515)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(40,590,247)**	(82,359,444)
Non-controlling interests		**(473,288)**	(1,039,546)
		(41,063,535)	(83,398,990)
Loss per share	*10*		
From continuing and discontinued operations			
Basic *(HK cents)*		**(12.14)**	(14.95)
From continuing operations			
Basic *(HK cents)*		**(10.71)**	(12.16)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	NOTES	2019 HK$	2018 HK$ (Re-presented)
Non-current assets			
Property, plant and equipment		**302,279,837**	149,486,645
Prepaid lease payments		**–**	59,050,906
Investment properties		**220,915,017**	239,199,410
Equity instruments at FVTOCI		**17,854,928**	11,573,728
Club membership		**3,403,700**	3,403,700
Prepayments and deposits	*12*	**4,720,010**	4,411,600
Interests in joint ventures	*11*	**404,482**	413,750
Loans receivable		**23,010,523**	–
Deposit paid for acquisition of property, plant and equipment		**11,931,211**	24,871,390
		584,519,708	492,411,129
Current assets			
Inventories		**24,334,274**	32,510,153
Properties under development for sale		**42,598,351**	43,325,216
Financial assets at fair value through profit or loss ("FVTPL")		**64,833,700**	87,895,380
Equity instruments at FVTOCI		**–**	14,679,744
Trade and other receivables, prepayments and deposits	*12*	**159,113,114**	172,847,625
Contract assets		**19,008,737**	15,719,178
Loans to joint ventures	*11*	**–**	3,215,059
Loans receivable		**44,575,290**	80,750,879
Prepaid lease payments		**–**	1,280,138
Amounts due from related companies		**1,303,402**	2,433,094
Tax recoverable		**–**	571,625
Short-term bank deposits		**23,493,383**	23,682,998
Cash and cash equivalents		**208,721,286**	185,786,206
		587,981,537	664,697,295

	NOTE	2019 HK$	2018 HK$ (Re-presented)
Current liabilities			
Trade and other payables and accruals	*13*	**100,146,752**	108,141,167
Lease liabilities		**6,452,993**	–
Contract liabilities		**4,635,602**	3,330,271
Tax liabilities		**9,457,374**	3,401,860
Amount due to a non-controlling shareholder of a subsidiary		**16,716,817**	17,080,392
Amount due to a related company		**165,848**	129,334
Bank borrowings		**92,168,478**	86,807,056
		229,743,864	218,890,080
Net current assets		**358,237,673**	445,807,215
Total assets less current liabilities		**942,757,381**	938,218,344
Non-current liabilities			
Lease liabilities		**48,178,621**	–
Amount due to a related company		**269,169**	328,478
Deferred taxation		**8,091,205**	10,607,945
		56,538,995	10,936,423
Net assets		**886,218,386**	927,281,921
Capital and reserves			
Share capital		**2,536,395**	2,536,395
Reserves		**886,905,710**	927,495,957
Total attributable to owners of the Company		**889,442,105**	930,032,352
Non-controlling interests		**(3,223,719)**	(2,750,431)
Total equity		**886,218,386**	927,281,921

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	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 2018	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
Loss for the year	–	–	–	–	–	–	–	–	(30,782,482)	(30,782,482)	(190,798)	(30,973,280)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	(8,846,877)	–	(8,846,877)	(282,490)	(9,129,367)
Transfer of translation reserve to profit or loss upon disposal of a subsidiary	–	–	–	–	–	–	–	(960,888)	–	(960,888)	–	(960,888)
Other comprehensive expense for the year	–	–	–	–	–	–	–	(9,807,765)	–	(9,807,765)	(282,490)	(10,090,255)
Total comprehensive expense for the year	–	–	–	–	–	–	–	(9,807,765)	(30,782,482)	(40,590,247)	(473,288)	(41,063,535)
Transfer of cumulative gain on an equity instrument at FVTOCI to retained earnings upon disposal of a subsidiary	–	–	–	–	–	–	(68,238)	–	68,238	–	–	–
At 31 December 2019	2,536,395	368,949,127	188,956,957	62,400	103,571,033	63,252,165	(25,837,995)	(1,747,551)	189,699,574	889,442,105	(3,223,719)	886,218,386

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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. LAPSE OF DISPOSAL TRANSACTION IN RESPECT OF ASSETS HELD FOR SALE

On 30 April 2019, a wholly-owned subsidiary of the Company entered into a termination agreement with the purchaser pursuant to which all parties agreed to terminate the sale and purchase agreement in relation to the disposal of Zen Vantage Limited by the Group. Therefore, property, plant and equipment, prepaid lease payments and other receivables with carrying amount of HK$80,298,804, HK$2,409,720 and HK$5,475,000 previously included in assets classified as held for sale were reclassified to property, plant and equipment, prepaid lease payments and other receivables respectively as at 31 December 2018.

Based on the requirement of HKFRS 5 paragraph 28, the following reclassification adjustments were made to the comparative financial information of consolidated statement of financial position as at 31 December 2018 in respect of the assets held for sale previously reported as at 31 December 2018 upon the lapse of disposal transaction during the year ended 31 December 2019. Line items that were not affected by the changes have not been included.

	At 31 December 2018		
	As previously reported	**Reclassification adjustments**	**As re-represented**
	HK$	*HK$*	*HK$*
Non-current assets			
Property, plant and equipment	69,187,841	80,298,804	149,486,645
Prepaid lease payments	56,729,796	2,321,110	59,050,906
Current assets			
Trade and other receivables, prepayments and deposits	167,372,625	5,475,000	172,847,625
Prepaid lease payments	1,191,528	88,610	1,280,138
Assets classified as held for sale	88,183,524	(88,183,524)	–

3. 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 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 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

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

3.1 HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS17"), and the related interpretations.

Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis; and

iv. use hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.59%.

	As at 1 January 2019
	HK$
Operating lease commitments disclosed as at 31 December 2018	91,298,180
Lease liabilities discounted at relevant incremental borrowing rates as at 1 January 2019	61,295,313
Analysed as:	
Current	6,283,456
Non-current	55,011,857
	61,295,313

The carrying amount of right-of-use assets for own use and those under subleases (classified as investment properties) as at 1 January 2019 comprises the following:

		Right-of-use assets
	Notes	*HK$*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		61,295,313
Reclassified from prepaid lease payments	*(a)*	60,331,044
Adjustments on rental deposits at 1 January 2019	*(b)*	293,589
		121,919,946
By class:		
Leasehold land and buildings		121,919,946

Notes:

(a) Upfront payments for leasehold lands in the People's Republic of China (the "PRC") were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$1,280,138 and HK$59,050,906 respectively were reclassified to right-of-use assets.

(b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under other receivables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$293,589 was adjusted to refundable rental deposits paid and right-of-use assets.

Effective from 1 January 2019, leasehold lands which were classified as properties under development for sale are measured under HKFRS 16 at cost less any accumulated depreciation and any impairment losses.

As a lessor

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

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

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. No adjustments have been made to refundable rental deposits received as at 1 January 2019 as the directors of the Company considered the discounting effect is insignificant.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
	HK$	*HK$*	*HK$*
Non-current assets			
Property, plant and equipment	149,486,645*	121,919,946	271,406,591
Prepaid lease payments	59,050,906*	(59,050,906)	–
Current assets			
Trade and other receivables, prepayments and deposits	172,847,625*	(293,589)	172,554,036
Prepaid lease payments	1,280,138*	(1,280,138)	–
Current liabilities			
Lease liabilities	–	6,283,456	6,283,456
Non-current liabilities			
Lease liabilities	–	55,011,857	55,011,857

* *The amounts included the reclassification as stated in note 2.*

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 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

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

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

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

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

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

Except those mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the Group's financial position and performance in the foreseeable future.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

4. REVENUE

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.

5. SEGMENT INFORMATION

Segment revenue and results

Information reported to the executive directors of the Company, being the chief operating decision maker, 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) Money lending ("Lending Business");

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

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

(d) Property development and investment ("Property Business"), including properties development projects and properties leasing and investments in the PRC, mini storage business and office leasing and properties leasing and investment in Hong Kong;

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

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

An operating segment regarding the distribution of gaming machines ("Gaming Distribution Business") was discontinued in the current year. The segment information reported does not include any amounts for the discontinued operation, which are described in more details in note 8. Accordingly, certain comparative information related to the discontinued operation are re-presented in these consolidated financial statements.

The following is an analysis of the Group's revenue and results from continuing operations by operating and reportable segment.

	Revenue		**Segment profit (loss)**	
	2019	2018	**2019**	2018
	HK$	*HK$*	***HK$***	*HK$*
		(Re-presented)		(Re-presented)
Lending Business	**8,491,405**	7,197,071	**3,677,784**	4,207,173
Manufacturing and Sales Business	**490,000,611**	525,690,488	**14,474,423**	2,779,057
Music and Entertainment Business	**11,881,910**	18,133,494	**(7,165,748)**	(2,819,534)
Property Business	**7,310,989**	7,304,238	**(9,051,586)**	12,127,985
Securities Trading Business	**–**	–	**(14,924,641)**	(36,052,451)
Trading Business	**42,900,332**	33,838,152	**6,621,250**	2,206,490
Total	**560,585,247**	592,163,443	**(6,368,518)**	(17,551,280)
Bank interest income			**1,266,643**	2,366,386
Impairment losses on loan to a joint venture			**(3,222,914)**	–
Unallocated corporate expenses			**(13,042,575)**	(12,947,983)
Unallocated share of results of joint ventures			**(9,268)**	(7,518)
Loss before taxation from continuing operations			**(21,376,632)**	(28,140,395)

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, impairment losses on loan to a joint venture, unallocated corporate expenses, 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 continuing operations from its major products and services:

	2019	2018
	HK$	*HK$*
		(Re-presented)
Sales of printing products	**532,900,943**	559,528,640
Artistes management fee income	**862,133**	1,412,566
Concerts and shows income	**3,236,150**	7,580,861
Income from the licensing of the musical works	**3,100,522**	5,887,796
Loan interest income from Lending Business	**8,491,405**	7,197,071
Other music and entertainment services	**124,540**	144,219
Promotion income	**750,367**	991,841
Rental income	**7,310,989**	7,304,238
Sales of albums	**3,808,198**	2,116,211
	560,585,247	592,163,443

Geographical information

The Group's operation of 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 continuing operations 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**	
	2019	2018	**2019**	2018
	HK$	*HK$*	***HK$***	*HK$*
		(Re-presented)		(Re-presented)
Hong Kong	**211,157,605**	257,464,743	**226,655,112**	241,874,638
The PRC	**242,748,490**	212,724,783	**315,565,055**	238,962,763
Europe	**38,338,407**	39,016,945	**–**	–
United States	**41,805,786**	57,217,365	**–**	–
Others	**26,534,959**	25,739,607	**–**	–
	560,585,247	592,163,443	**542,220,167**	480,837,401

Note: Non-current assets exclude financial assets.

Information about major customers

There was no customer contributing over 10% of total sales of the Group for the year ended 31 December 2019 and 2018.

6. TAXATION

	2019	2018
	HK$	*HK$*
Continuing operations:		
The taxation comprises:		
Hong Kong Profits Tax		
Charge for the year	**2,285,026**	1,574,200
Overprovision in prior years	**(122,914)**	(159,049)
	2,162,112	1,415,151
PRC Enterprise Income Tax		
Charge for the year	**6,296,056**	1,673,941
	8,458,168	3,089,092
Deferred tax credit for the year	**(2,478,941)**	(84,878)
	5,979,227	3,004,214

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2018 (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%.

For the year ended 31 December 2019, Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits of one of the subsidiaries of the Company and at 16.5% on the estimated assessable profits above HK$2 million. The profits of corporation not qualified for the two-tier profit tax regime will continue to be taxed at a flat rate of 16.5%.

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.

7. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2019	2018
	HK$	*HK$*
		(Re-presented)
Loss for the year from continuing operations has been arrived at after charging (crediting):		
Auditor's remuneration	**2,100,000**	2,000,000
Cost of inventories recognised as an expense (including write-down of inventories of HK$791,079 (2018: HK$52,585))	**210,084,515**	212,661,850
Depreciation of right-of-use assets	**9,687,255**	–
Depreciation of other property, plant and equipment	**20,976,439**	12,898,972
Depreciation of property, plant and equipment	**30,663,694**	12,898,972
Less: included in cost of sales	**(18,795,412)**	(9,265,323)
	11,868,282	3,633,649
Amortisation of prepaid lease payments	**–**	1,279,870
Minimum lease payments in respect of office/factory premises	**–**	16,589,853
Staff costs including directors' emoluments		
– Salaries, wages and other benefits	**162,350,679**	159,226,844
– Contributions to retirement benefits schemes	**9,131,076**	9,254,186
Less: included in cost of sales	**(97,328,520)**	(102,824,847)
Total staff costs	**74,153,235**	65,656,183
Bank interest income (included in other interest income)	**(1,266,643)**	(2,366,386)
Interest income on rental deposits (included in other interest income)	**(76,633)**	–
Dividend income (included in other income)	**(1,087,856)**	(4,667,276)
Government grants (included in other income)	**(4,433,645)**	(1,267,175)
Gross rental income from investment properties	**(7,310,989)**	(7,304,238)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	**286,707**	12,248
	(7,024,282)	(7,291,990)
The following items are included in net impairment loss on financial assets and contract assets:		
Net impairment losses on trade receivables	**229,681**	11,467,527
Net impairment losses (reversal of impairment losses) on contract assets	**68,705**	(64,902)
Impairment losses on loans receivable	**1,348,580**	–
Impairment losses on loan to a joint venture	**3,222,914**	–

8. DISCONTINUED OPERATION

Taking into consideration the adverse impact of the Gaming Distribution Business on the Group's overall financial performance and other factors, the directors of the Company determined to terminate this business in June 2019 and thus the operation of the Gaming Distribution Business had been discontinued.

The comparative figures in the consolidated statement of profit or loss and other comprehensive have been restated to re-present the Gaming Distribution Business as a discontinued operation. The results of the Gaming Distribution Business for the year ended 31 December 2019 and 2018, which have been included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 and 2018, were as follows:

	2019	2018
	HK$	*HK$*
Revenue	**–**	462,499
Cost of sales	**–**	(651,496)
Gross loss	**–**	(188,997)
Other income	**944**	5,023,630
Administrative expenses	**(3,618,365)**	(11,914,539)
Loss before taxation from discontinued operation	**(3,617,421)**	(7,079,906)
Taxation	**–**	–
Loss for the year from discontinued operation	**(3,617,421)**	(7,079,906)

Loss for the year from discontinued operation has been arrived at after charging (crediting):

	2019	2018
	HK$	*HK$*
Cost of inventories recognised as an expense	**–**	448,746
Depreciation of property and equipment	**512,387**	1,451,013
Staff costs:		
– Salaries, wages and other benefits	**1,471,142**	6,526,811
– Contributions to retirement benefits schemes	**83,086**	290,315
Total staff cost	**1,554,228**	6,817,126
Research expenses (included in administrative expenses)	**–**	3,541,487
Technical consultancy services income (included in other income)	**–**	(4,695,170)
Additions to property and equipment	**–**	404,934

9. DIVIDENDS

No dividend was paid or proposed for the years ended 31 December 2019 and 2018, nor has any dividend been proposed since the end of the reporting period.

10. LOSS PER SHARE

From continuing operations

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

Loss figures are calculated as follows:

	2019	2018
	HK$	*HK$*
Loss for the year attributable to owners of the Company	**(30,782,482)**	(37,922,569)
Less: loss for the year from discontinued operation	**3,617,421**	7,079,906
Loss for the purpose of calculating basic loss per share	**(27,165,061)**	(30,842,663)

	2019	2018
Number of ordinary shares in issue for the purpose of calculating basic loss per share	**253,639,456**	253,639,456

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

From continuing and discontinued operations

The calculation of the basic loss per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	2019	2018
	HK$	*HK$*
Loss for the year attributable to owners of the Company for the purpose of calculating basic loss per share	**(30,782,482)**	(37,922,569)

The denominators used are the same as those detailed above for both basic loss per share.

From discontinued operation

Basic loss per share for the discontinued operations is HK1.43 cents per share (2018: HK2.79 cents per share) for the year ended 31 December 2019, based on the loss for the year from the discontinued operation of HK$3,617,421 (2018: HK$7,079,906) and the denominators detailed above for both basic loss per share.

11. LOANS TO JOINT VENTURES/INTERESTS IN JOINT VENTURES

	2019	2018
	HK$	*HK$*
Costs of investments in unlisted joint ventures	**16**	16
Share of post-acquisition profit and other comprehensive income	**404,466**	413,734
	404,482	413,750
Loan to Reliance Partner Limited	**3,222,914**	3,215,059
Less: allowance for credit losses	**(3,222,914)**	–
	–	3,215,059
Loan to Estate Summit Limited	**12,170,377**	13,945,477
Share of post-acquisition losses and other comprehensive expense	**(4,411,177)**	(4,411,177)
Less: loss recognised	**(7,759,200)**	(9,534,300)
	–	–
	–	3,215,059
Less: amount repayable within one year shown under current asset	**–**	(3,215,059)
Amount repayable after one year	**–**	–

12. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2019	2018
	HK$	*HK$*
		(Re-presented)
Trade receivables	**137,764,692**	163,487,237
Less: allowance for credit losses	**(2,295,719)**	(16,430,691)
	135,468,973	147,056,546
Receivables with brokers' houses	**457,856**	634,093
Deposits and other receivables	**13,820,892**	12,719,996
Other tax recoverable	**3,446,943**	3,436,230
Prepayments	**10,638,460**	13,412,360
	163,833,124	177,259,225

Analysed for reporting purposes as:

Current assets	**159,113,114**	172,847,625
Non-current assets	**4,720,010**	4,411,600
	163,833,124	177,259,225

As at 1 January 2018, trade receivables from contracts with customers amounted to HK$152,122,389.

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 of the Manufacturing and Sales Business with whom the Group has a good business relationship and who 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.

	2019	2018
	HK$	*HK$*
Manufacturing and Sales Business and Trading Business:		
0 – 30 days	**72,774,483**	76,230,986
31 – 60 days	**32,715,228**	36,395,013
61 – 90 days	**20,317,316**	24,413,368
Over 90 days	**8,376,318**	7,817,443
	134,183,345	144,856,810
Music and Entertainment Business:		
0 – 30 days	**821,801**	1,379,153
31 – 60 days	**77,990**	245,948
61 – 90 days	**266,194**	24,136
Over 90 days	**119,643**	550,499
	1,285,628	2,199,736
Total trade receivables	**135,468,973**	147,056,546

13. 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.

	2019	2018
	HK$	*HK$*
0 – 30 days	**50,325,121**	38,980,474
31 – 60 days	**6,965,381**	11,879,341
61 – 90 days	**3,063,315**	4,100,484
Over 90 days	**3,352,350**	4,092,557
	63,706,167	59,052,856
Accrued expenses and other payables	**36,440,585**	34,088,311
Refundable deposit received for potential disposal of a subsidiary	**–**	15,000,000
	100,146,752	108,141,167

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the year ended 31 December 2019 (the "Year"), Neway Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") were exposed to all sorts of market challenges and uncertainties, including but not limited to the trade dispute between the United States (the "U.S.") and the People's Republic of China (the "PRC") and the political unrest in Hong Kong which adversely affected the turnover of most of the business segments of the Group. In light of this, the Group allocated more financial resources to develop the domestic market and adopted various cost tightening policies to lower the operating costs and therefore, the results of certain business segments improved as compared with the year ended 31 December 2018 (the "Year 2018").

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

BUSINESS AND FINANCIAL REVIEW

Total Revenue from Continuing Operations and Gross Profit Margin

During the Year, total revenue from continuing operations of the Group was approximately HK$560.6 million (Year 2018: approximately HK$592.2 million) and the gross profit margin was approximately 27.1% (Year 2018: 23.1%). The contribution of each business segment to the revenue from continuing operations of the Group is as follows:

	2019 ***HK$***	**Approximate % to total revenue**	2018 *HK$* (Re-presented)	Approximate % to total revenue
Lending Business	**8,491,405**	**1.5%**	7,197,071	1.2%
Manufacturing and Sales Business	**490,000,611**	**87.4%**	525,690,488	88.8%
Music and Entertainment Business	**11,881,910**	**2.1%**	18,133,494	3.1%
Property Business	**7,310,989**	**1.3%**	7,304,238	1.2%
Trading Business	**42,900,332**	**7.7%**	33,838,152	5.7%
Total revenue	**560,585,247**	**100.0%**	592,163,443	100.0%

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 made during the Year, and the Group is still in search for deals with promising potential.

For the money lending business in Hong Kong, due to the political unrest since the middle of the Year and the global economic downturn brought about by the trade dispute between the U.S. and the PRC, the Group tightened its credit control policy for granting new loans, which adversely affected the number and amount of new loans granted by the Group. Though the Group received the majority of interest income as scheduled, its loan portfolio decreased to approximately HK$67.6 million as at 31 December 2019 (31 December 2018: HK$80.8 million). During the Year, the interest income from loans increased by approximately 18.0% to approximately HK$8.5 million (Year 2018: HK$7.2 million), mainly attributable to an increase in average loan amount by approximately 14.6% in the Year as compared with Year 2018. The segment results of the Lending Business decreased by approximately 12.6% to HK$3.7 million (Year 2018: HK$4.2 million), which was mainly due to the impairment loss of approximately HK$1.3 million (Year 2018: nil) made during the Year. As the majority of loans receivable were financed by internal resources and little manpower was required for the daily operation of the Lending Business, the Group could maintain low operating costs and achieved a high profit margin accordingly.

Manufacturing and Sales Business

This segment represented the business of 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 the same strategy as in Year 2018, including: (i) continuous cost reduction as well as efficiency and quality enhancement of factories in the PRC; and (ii) expansion of sales network to clients with higher profit margin. During the Year, the Group further extended its sales activities to a new market in the PRC. In order to meet the stringent quality requirements of our clients, the Group devoted more financial resources in: (i) the acquisition of new machines for replacing labour intensive workflows and aging machines and increasing production capacity and efficiency; and (ii) the renovation and reorganization of production zones of different product lines in factories in Shenzhen, the PRC for improving the efficiency and effectiveness and shortening the lead time between each process.

The segment revenue decreased by approximately 6.8% to HK$490.0 million for the Year (Year 2018: approximately HK$525.7 million), which was mainly caused by the decrease in orders from certain existing overseas and domestic clients. In particular, those of packaging and paper shopping bags decreased by approximately 22.0% and 24.3% respectively. However, the decrease was partially offset by the increase in sales of label printing of approximately 6.5%.

The segment profit for the Year increased significantly by approximately 420.8% to approximately HK$14.5 million (Year 2018: approximately HK$2.8 million). The segment profit margin for the Year increased to approximately 3.0% (Year 2018: approximately 0.5%), which was mainly attributable to the following factors:

(i) Given the adjusted product mix, the material consumption ratio decreased by approximately 4.2% as compared with Year 2018. During the Year, the Group further extended its sales activities to a new market in the PRC with a higher profit margin. The adjusted product mix also resulted in a lowered material consumption ratio because the quantity of products requiring more materials decreased during the Year. Though the price of major materials remained stable throughout the Year, the Group continued to source alternative materials to lower the overall materials costs. Both of these factors served to lower the overall material consumption ratio.

(ii) The ratio of total staff costs and other related expenses to sales for the Year remained constant as compared with Year 2018. During the Year, the Group employed more production staff members to enhance the efficiency of work processes and the quality of products.

(iii) The average exchange rate of Renminbi ("RMB") against Hong Kong dollars depreciated by approximately 3.9% as compared with Year 2018. The fluctuation brought a positive impact on the segment profit as most of the production and operating expenses were denominated in RMB while approximately 63.8% of the sales of this segment was denominated in Hong Kong dollars or currencies other than RMB.

(iv) The net impairment loss on financial assets and contract assets decreased by approximately HK$11.1 million to approximately HK$0.3 million (Year 2018: HK$11.4 million).

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 decreased by approximately 34.5% to HK$11.9 million (Year 2018: approximately HK$18.1 million) and the segment loss for the Year was approximately HK$7.2 million (Year 2018: approximately HK$2.8 million).

The decrease in revenue was mainly attributable to the following factors:

(i) The revenue from concerts and shows decreased by approximately 57.3% to HK$3.2 million (Year 2018: approximately HK$7.6 million). Given the Group's scaled-down investment in concerts, only one concert was organized by a subsidiary of the Company for Mr. Ng Yip Kwan during the Year.

(ii) The musical work licensing income decreased by approximately 47.3% to HK$3.1 million (Year 2018: approximately HK$5.9 million) because no licensing income from the International Federation of the Phonographic Industry was received during the Year.

The segment loss further deteriorated to 60.3% in the Year from 15.6% in Year 2018, mainly due to the loss incurred in investment in concerts and shows and the increase in production costs of physical albums in the Year.

Property Business

Property development business

During the Year, the Group completed the disposal of its 16.67% interest in 四川英華房地產有限公司 (unofficial English translation being Sichuan Yinghua Real Estate Co., Ltd.) ("Yinghua") through disposal of a wholly-owned subsidiary. Yinghua is a property development project which was classified as an equity instrument at fair value through other comprehensive income ("FVTOCI") of the Group as at 31 December 2018.

Yinghua held the land use right of a commercial land parcel in Chengdu, the PRC and 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 owned 16.67% interest in Yinghua at the put option consideration of RMB30 million. The disposal was agreed to be completed on or before 10 January 2018 originally.

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 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 May 2018, the Company announced that the disposal of Yinghua was not completed and the Company was closely following up with Kwong Da. The Group received interest payment and partial payment of the put option consideration subsequent to the end of 2018 and the completion date was further extended to a day on or before 31 December 2018 (or such other date as may be agreed by both parties in writing).

Since the disposal was not completed on or before 31 December 2018, the Group, Kwong Da, Kada Capital Investments Limited ("Kada") and the common director of Kwong Da and Kada (the "Guarantor") entered into a confirmation deed on 28 March 2019 to reach a loan agreement and a completion agreement for the disposal of Yinghua after lengthy negotiation and discussion between related parties. It was conditionally agreed that the Group would provide a loan, through Grand Prospects Finance International Limited ("Grand Prospects"), a wholly-owned subsidiary of the Group, to Kada in an amount sufficient to settle the outstanding put option consideration and accrued interest payable by Kwong Da to the Group so that the disposal of Yinghua would be completed upon drawdown of the loan. The confirmation deed was subject to approval by the shareholders of the Company. The shareholder approval was obtained on 12 August 2019 and the loan of approximately RMB21.7 million was drawn down on 13 August 2019. The disposal transaction was completed on 23 December 2019. The gain on disposal of subsidiary was approximately HK$11.8 million but partially offset by the fair value loss of financial derivatives of approximately HK$6.7 million derived from the put option value. The net financial impact of the disposal was approximately HK$5.1 million as recorded in the Year.

As at 31 December 2019, the Group has one property development project named 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. 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 (the "Court") 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 for freezing and preserving the assets of Zhongqing with a total value of RMB23,400,000, an order was granted by the Court to freeze and preserve the two land parcels owned by Zhongqing from 24 June 2014 to 23 June 2016 (the "Freeze Order"), aiming 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 (the "Document") dated 30 September 2014 from the Court, 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 Document; and (iii) where Zhongqing failed to repay the agreed amount, Zhongxing Guosheng was 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 legal advisers in the PRC, the effective date of the Document was 15 October 2014 and thus, the deadline for repayment by Zhongqing was 30 October 2014. As at 30 October 2014, 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 Court for the extension of the period covered by the Freeze Order and the application was accepted. The extended period covered by the Freeze Order started on 13 June 2016 and ended on 12 June 2019. In May 2019, Zhongxing Guosheng submitted an application to the Court again for the further extension of the period covered by the Freeze Order and the application was accepted. The extended period covered by the Freeze Order started on 13 May 2019 and will end on 12 May 2022.

During the Year, no further action was taken by the Group. The Group will closely monitor the property market and the development plan of Qingyuan and will take further action if necessary. Currently, the Group is still seeking the opportunity to dispose of the land parcels.

Property investment business

During the Year, 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.

Mini storage business

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") are used for the operation of the mini storage business. As at 31 December 2019, the occupancy rate of the storage units significantly decreased to approximately 61% (31 December 2018: approximately 83%).

During the Year, in order to meet the safety requirements stipulated by relevant government authorities, the ground floor and 1st floor of the Fanling Building were under renovation. As at 31 December 2019, the renovation of ground floor and 1st floor was complete and pending a final inspection by the relevant government authorities, which is expected to be delayed due to the coronavirus disease 2019 (COVID-19) pandemic. As there were more storage units on the 1st floor as compared with that on the ground floor, more storage units were not available for leasing during the renovation period and the occupancy rate was affected as a result.

Office leasing business

The office leasing business, being the operation of a 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 in this regard. After evaluating the financial performance of the business service centre, the demand and supply condition and the keen market competition from other business service centres in Kwun Tong, all contracts with customers were terminated and the operation ceased in February 2019.

Property leasing and investment

The property leasing business involved two properties. The first one was a commercial property in Yuen Long, Hong Kong (the "Yuen Long Property"). It was leased to a related company of the Group and was operating as a karaoke outlet as at 31 December 2019. The revenue from such lease remained stable as compared with Year 2018. Approximately 60.7% of revenue of the Property Business was derived from the Yuen Long Property.

The second property was a commercial property situated in Beijing, the PRC (the "Beijing Property"). During the Year, the Beijing Property was leased to an independent third party and the rental income was approximately HK$725,000 for the Year.

According to the Group's accounting standard, the Fanling Building, the Yuen Long Property and the Beijing Property were classified as investment properties of the Group and were carried at market value. A fair value loss of approximately HK$18.0 million was recorded in "other gains and losses" of the Group during the Year (Year 2018: fair value gain of approximately HK$10.9 million). The fair value loss was mainly due to the decrease in market value of the Yuen Long Property, which was caused by the political unrest in Hong Kong in the second half of the Year.

Trading Business

Revenue from the Trading Business increased significantly to approximately HK$42.9 million (Year 2018: approximately HK$33.8 million). The segment profit margin for the Year also improved to approximately 15.4% (Year 2018: 6.5%). The increase in both revenue and profit margin was mainly attributable to: (i) an increase in sales and profit margin of the trading company in Hong Kong arising from the tightened control on sales discount offered to clients and an increase in sales to an individual client during the Year; and (ii) an increase in sales of a trading company in the PRC resulted from the Group's increased resources for the expansion of sales and operation teams in the PRC, which drove the sales up by approximately 92.4% as compared with Year 2018. The operation of neighbourhood stores in the PRC was terminated during the Year.

Securities Trading and Equity Investments Business

The Group's equity instruments at FVTOCI and financial assets at fair value through profit and loss ("FVTPL") as at 31 December 2019 amounted to approximately HK$82.7 million (31 December 2018: approximately HK$114.1 million). During the Year, the Group recorded a fair value loss of securities trading investments listed in Hong Kong of approximately HK$15.2 million (Year 2018: approximately HK$35.5 million), a realized loss of approximately HK$537,000 (Year 2018: approximately HK$8.6 million) and a dividend income of approximately HK$1.1 million (Year 2018: approximately HK$2.8 million).

The Group's investments as at 31 December 2019 included securities of 16 listed companies on the Main Board or GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), investment in an offshore investment fund and a Hong Kong private company. Each of the Group's investments has a carrying amount that accounts for less than 5% of the Group's audited total assets as at 31 December 2019. The largest investment is the securities in Wang On Properties Limited ("Wang On") (stock code: 01243), which represented approximately 0.39% of the total share capital of Wang On. Wang On is principally engaged in property development and property investment. Its fair value as at 31 December 2019 amounted to approximately HK$45.7 million, representing approximately 3.9% of the Group audited total assets as at 31 December 2019.

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 revise the investment strategy in a cautious manner as and when necessary to minimize the impact of market volatility.

Gaming Distribution Business

After a thorough study on the investment return of this business and the resources allocation among segments of the Group, the Group has discontinued the operation of this business during the Year and has classified as discontinued operation in the consolidated financial statements of the Group.

OTHER GAINS AND LOSSES

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

	2019	2018
	HK$	*HK$*
Change in fair value of financial assets at FVTPL *(Note d)*	**(21,840,204)**	(36,657,753)
Change in fair value of investment properties *(Note b)*	**(17,966,974)**	10,942,146
Gain (loss) recognized in respect of loans to joint ventures *(Note c)*	**1,775,100**	(1,391,092)
Gain on disposal of a subsidiary *(Note a)*	**11,807,968**	–
Net foreign exchange gain	**980,712**	946,511
Net gain on disposal of property, plant and equipment	**619,578**	260,845
Total	**(24,623,820)**	(25,899,343)

Notes:

(a) On 28 March 2019, Dream Class Limited ("Dream Class") and Grand Prospects, both are wholly-owned subsidiaries of the Company, Kwong Da, Kada and the Guarantor entered into a confirmation deed for the settlement and completion arrangement for the disposal of Star Rank Limited ("Star Rank"), a wholly-owned subsidiary of Dream Class which holds 16.67% equity interest of Yinghua, to Kwong Da. Grand Prospects signed a loan agreement with Kada which holds 83.33% equity interest of Yinghua to provide a 2-year loan to Kada at an amount equal to the outstanding consideration of RMB21,693,205, bearing interest calculated at 10.5% per annum. Upon signing of the loan agreement, the disposal of Star Rank was completed on 23 December 2019 and Dream Class ceased control on Star Rank since then.

(b) The fair value loss of investment properties was mainly due to the Yuen Long Property. For the reason of such loss, please refer to the business and financial review of the Property Business stated above.

(c) The Group recognized a gain in respect of its loan to Estate Summit Limited, a joint venture of the Group (Year 2018: loss).

(d) The change in fair value of financial assets at FVTPL consisted of the fair value loss of securities traded in The Stock Exchange of Hong Kong Limited of approximately HK$15.2 million and the fair value loss of financial derivative derived from Yinghua of approximately HK$6.7million.

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 2019 and 31 December 2018:

	Notes	**As at 31 December 2019** *HK$*	As at 31 December 2018 *HK$*
Current ratio	*(a)*	**2.6**	3.0
Quick ratio	*(b)*	**2.3**	2.7
Gearing ratio *(%)*	*(c)*	**18.5**	11.3

Notes:

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

(b) Quick ratio is calculated by dividing total current assets less inventories and properties under development for sale by total current liabilities as at the end of respective year.

(c) Gearing ratio is calculated by dividing total borrowings by total equity as at the end of respective year and then multiplying it by 100%. Total borrowings include: (i) the amount due to a related company, (ii) bank borrowings, (iii) the amount due to a non-controlling shareholder of a subsidiary; and (iv) lease liabilities.

As at 31 December 2019, the Group had short-term bank deposits and cash and cash equivalents of approximately HK$232.2 million (31 December 2018: approximately HK$209.5 million) and total borrowings of approximately HK$164.0 million (31 December 2018: approximately HK$104.3 million).

Total borrowings included: (i) the amount due to a related company, (ii) bank borrowings, (iii) the amount due to a non-controlling shareholder of a subsidiary; and (iv) lease liabilities. The amount due to a related company was unsecured, payable after five years and carried interests at fixed-interest rates ranging from 18%-20% per annum. Secured bank borrowings were payable within five years and carried interest at the Hong Kong Inter-bank Offered Rate plus 1.25% to 2.5% per annum. The amount due to a non-controlling shareholder of a subsidiary was unsecured, interest-free and repayable on demand. Lease liabilities carried incremental borrowing rates ranging from 4.4% to 5.4%.

All borrowings were denominated in Hong Kong dollars and RMB and the majority of cash and cash equivalents was denominated in RMB, 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 2019. However, these ratios had lowered because: (i) bank borrowings were increased to finance the daily operation of the Manufacturing and Sales Business; (ii) the Group maintained a lower inventory level during the Year; (iii) a decrease in loan receivables in the Lending Business; and (iv) a decrease in financial assets at FVTPL mainly due to the loss in fair value as at 31 December 2019.

The gearing ratio of the Group increased from 11.3% to 18.5% as at 31 December 2019, mainly attributable to the lease liabilities of approximately HK$54.6 million arising from the adoption of new accounting standards Hong Kong Financial Reporting Standards 16 “Leases” during the Year. If the lease liabilities were excluded, the gearing ratio of the Group remained stable as compared with that as at 31 December 2018.

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 a prudent policy in managing cash balances, thereby maintaining a strong and healthy liquidity level to capitalize any potential business opportunity.

FUTURE OUTLOOK

Looking forward to the year ending 31 December 2020 (the "Year 2020"), it is expected that the Group will be challenged by all sorts of adversities as the global market continues to be shadowed by economic and political risks, including the prolonged trade dispute between the U.S. and the PRC, the political unrest in Hong Kong and the coronavirus disease 2019 (COVID-19) pandemic that will cast a severe negative impact on every business sector of the world and significantly slow down global economic growth. In order to cope with these complicated and difficult situations, the Group will carefully revise the strategy for all its business segments, diversify and expand the businesses in a cautious way.

Lending Business

Given the global economic uncertainty and the keen market competition, the risks and difficulties facing the Lending Business will be intensified when the Group expands its loan portfolio. The Group will closely monitor the solvency of borrowers and perform risk assessments on loan applications prudently. Meanwhile, the development of the Group's online money lending platform with more fin-tech elements is at the final testing stage, which aims to provide more value-added services to our clients, especially those seeking personal loans. The Group will also continue to identify new clients and allocate more financial resources for business development in the future.

Manufacturing and Sales Business and Trading Business

Year 2020 will be an extremely challenging year, especially for the Manufacturing and Sales Business. The demand for and supply of China-made products have been negatively affected by the punitive tariffs imposed by the U.S. government which have orders from the PRC to other Asian countries. The impact is gradually seen in the financial performance of the Group and is expected to persist in Year 2020. Moreover, the coronavirus disease 2019 (COVID-19) pandemic is affecting people's daily life and the global economy. Although the outbreak seems to have stabilized in the PRC, it is rapidly spreading elsewhere in the world. Unfortunately, since a viable vaccine is still under development, the growth of global economy will be jeopardized because more and more countries or cities enter into lockdown and half the movement of people to combat this public health emergency. In addition, the impact of Brexit is unknown and yet to be seen. Accordingly, it will not be easy for the Group to deliver the annual sales target set for Year 2020.

All of the above factors will negatively affect both export and domestic sales of this business segment to varied extents. As a result, the Group will carefully revise its sales strategy in the expansion of these market segments and spare sufficient cash flow to cope with any sudden or prolonged adverse situation beyond its expectation. During the Year, a subsidiary of the Group successfully extended its sales of labels to a new market with a higher profit margin and promising market potential in the PRC by adopting advanced printing technologies. The Group decided to expand the production lines of the new product in a self-owned factory in Shenzhen in Year 2020, and certain portions of the factory will be renovated to meet the requirements of a fully automated workshop for high quality products. The Group also intends to acquire new printing machines and ancillary equipment for the expanded production line to increase the production efficiency and lower the defect rate in production activities. After taking production needs and clients' demands into consideration, the renovation will start in April 2020 in phases.

Quality management and enhancement and credit control on the receivables will be the top priorities of the Manufacturing and Sales Business in Year 2020. The Group adopted a new quality management policy during the Year and satisfactory results were recorded. The importance of quality management continues to be communicated to all levels of staff members to raise their awareness of good quality. For credit control on the receivables, the Group will closely monitor the collection of receivables and be caution for any risk of bad debt may arise of our customers. Meanwhile, the Group will also spare dedicated resources to expand the luxury packaging and paper product which enjoy a higher profit margin. Although economic activities are expected to slow down due to the coronavirus disease 2019 (COVID-19) pandemic, the Group will take this opportunity to diversify into the target market sectors with tightened and prudent control on operating costs.

In addition, to cope with the challenges experienced by the printing industry and to maintain the profitability of this segment, the Group will continue to step up its efforts on the following aspects: (i) efficiency and effectiveness enhancement by streamlining the production process of its factories to reduce operation and production wastage; (ii) talent recruitment, provision of value-added services and continuous upgrade of its technology infrastructure, under which a new enterprise resources planning system has been installed and is under a trial run in the Group's factory in Shenzhen; (iii) procurement of alternative materials, verification of their quality and negotiation with vendors for more favourable terms and; (iv) market expansion to cover high value products and explore any long term cooperation or joint venture opportunities with other industry players with production facilities in other Asian countries to further diversify the risks arising from the trade dispute between the U.S. and the PRC in a caution manner; and (v) allocation of more resources to facilities upgrade and recruitment of skilled labours to meet the various requirements of clients. All the strategies adopted by the Group will further equip it with strength and core competence to tackle unknown challenges in the coming years.

For the Trading Business, the Group will continue to spare more resources to expand and develop the sales team in Hong Kong and the PRC so as to broaden the clientele and optimize the product mix.

Music and Entertainment Business

In Year 2020, the Group will increase its financial resources to expand the entertainment business in the PRC whereas those for the Hong Kong market will be reduced accordingly. The Group has been contracted to produce a famous overseas talent show and it will work with independent parties to film the show in the Greater Bay Area of the PRC. Although promotional activities of this TV show have been delayed by the coronavirus disease 2019 (COVID-19) pandemic, the Group, together with the independent parties mentioned above, will resume the production of the show when the pandemic subsides. Meanwhile, the Group will continue to devote financial resources to produce and release physical albums and, if think fit, invest in potential projects in the PRC and overseas.

Property Business

In respect of the property development business, apart from the possible disposal or development of the 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 cooperation opportunities with third parties to develop the industrial land located in Qingyuan in these two years. At the beginning of Year 2020, the Group took an active role to discuss and evaluate the potential cooperation with an independent third party who referred a biomedical industrial park project to the Group. At the moment, the Group is still negotiating and working on the details of cooperation with this potential partner and it is very likely for both parties to reach a final deal for cooperation shortly. According to the original planning, the land parcel was to be used by the Group as printing factories. As advised by the potential partner, the Group filed an application to revise the current planning of the land parcel so that it can be redeveloped into an industrial park for rental or sales separately in the future. The Group has received the approval from the local government and will make disclosure on the cooperation details in due course.

The Group plans to construct one block of industrial building on the land parcel and the construction is expected to commence by mid-2020. The construction of the new industrial building will cause no impact on the future cooperation with the potential partner.

In respect of the property investment business, the Group completed the renovation of mini-storage spaces on the ground floor and 1st floor of the Fanling Building during the Year and is pending an approval from relevant government authorities, which is expected to be delayed due to the coronavirus disease 2019 (COVID-19) pandemic. The Group will allocate more resources to promote the mini-storage business and facilitate a rebound of the decreased occupancy rate due to the renovation during the Year.

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 economy. In light of this, the Group will closely monitor the general market and market data related to the prospective investees before committing to any securities investment, and will pay attention to the performance of the investments after purchasing as well as make necessary adjustment to the investment strategy in a cautious manner so as to alleviate the impact of extreme market swings. The Group will reduce its financial resources for the Securities Trading Business gradually and spare more resources for the development of other business segments.

Other Business

In view of the significant surge in demand for surgical masks brought about by the coronavirus disease 2019 (COVID-19) pandemic, the Group has decided to establish two production lines of surgical masks in the Fanling Building to meet the huge demand in Hong Kong and overseas. As at the date of this announcement, the renovation of clean room is in progress and all the machineries and raw materials necessary for the production of surgical masks are expected to be delivered to the Fanling Building by April 2020. The mass production of surgical masks is planned to start thereafter in 2020. Apart from the production of surgical masks, the Group will also consider to further expand its presence in the medical and healthcare product industry.

FOREIGN EXCHANGE RISK

The Group's sales and purchases are principally denominated in Renminbi, Hong Kong dollars and U.S. dollars. Except for RMB, 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 RMB and identify significant adverse impact (if any) it may cause to 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 2019.

CAPITAL EXPENDITURE

During the Year, capital expenditure of the Group for property, plant and equipment amounted to approximately HK$66.7 million (Year 2018: approximately HK$48.0 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 2019, the Group had capital commitments of approximately HK$20.3 million (31 December 2018: approximately HK$5.7 million) which had been contracted for but had not been provided for in the financial statements for the acquisition of property, plant and equipment. 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 2019 and 2018.

PLEDGE OF ASSETS

As at 31 December 2019, the Group had pledged leasehold building and investment properties with an aggregate carrying value of approximately HK$217.0 million (31 December 2018: approximately HK$233.5 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 2019.

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 2019, the Group had approximately 1,520 full-time employees (31 December 2018: approximately 1,600). Total staff costs (including Directors' remuneration) for the Year were approximately HK$162.4 million (Year 2018: approximately HK$159.2 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 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.

EVENTS AFTER REPORTING PERIOD

(1) Termination agreement in relation to the lease agreement and the new lease agreement

Reference is made to the announcements of the Company dated 30 October 2019 and 8 January 2020 respectively. On 8 January 2020, 錦翰印刷（深圳）有限公司 (unofficial English translation being Kam Hon Printing (Shenzhen) Company Limited), a wholly-owned subsidiary of the Company, entered into a termination agreement with the landlord, pursuant to which the lease agreement and supplemental agreements both dated 30 October 2019 ("Previous Agreements") are terminated with effect from 8 January 2020 as the landlord is unable to fulfill certain conditions which are prerequisite to the use of the leased premises under the Previous Agreements. As a result of the termination of the Previous Agreements, 雅大印刷（清遠）有限公司 (unofficial English translation being The Greatime Printing (Qingyuan) Company Limited), a wholly-owned subsidiary of the Company, entered into a new lease agreement with another landlord on the same date in respect of the lease of the factory premises situated at Building No.3, No.8 Shangsha Zhongnan South Road, Shangsha Community, Chang'an Town, Dongguan City, Guangdong Province, the PRC（中國廣東省東莞市長安鎮上沙社區上沙中南南路8號3號樓）for a term of 5 years.

(2) Proposed rights issue

Reference is made to the announcements of the Company dated 10 January 2020, 31 January 2020 and 28 February 2020 respectively. On 10 January 2020, the Company proposed to raise gross proceeds of approximately HK$101.46 million (before deduction of the estimated costs and expenses to be incurred) on the basis of two (2) rights shares for every one (1) share held on the record date by issuing 507,278,912 rights shares at the subscription price of HK$0.20 per rights share. The proposed rights issue will be subject to the approval of the independent shareholders of the Company at the general meeting.

(3) Coronavirus Disease 2019 (COVID-19)

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

DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (Year 2018: 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 Listing Rules throughout the Year:

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 nomination policy of the Company and other requirements under the Listing Rules.

Provision A.6.7 of the CG Code

Except for (i) Mr. Wong Sun Fat, a non-executive Director who was unable to attend the special general meeting of the Company held on 18 April 2019 due to other business commitments; (ii) Mr. Chu Gun Pui, an independent non-executive Director who was unable to attend the annual general meeting of the Company held on 21 June 2019 due to other business commitments; and (iii) Dr. Ng Wai Kwan, a non-executive Director and Mr. Lai Sai Wo, Ricky, an independent non-executive Director who were unable to attend the special general meeting of the Company held on 12 August 2019 due to their 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 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 2019 will be despatched to the Shareholders and be available on the above websites in April 2020.

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, 25 March 2020

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.