

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



NEWAY GROUP HOLDINGS LIMITED

中星集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00055)

GROUP INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Neway Group Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2020 (the “**Period**”), together with comparative figures for the corresponding period of the previous year as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Total revenue from continuing operations	221,389	252,883
Gross proceeds from sale of held-for-trading investments	9,883	5,983
	231,272	258,866

* For identification purpose only

		Six months ended	
		30.6.2020	30.6.2019
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue			
Revenue from goods and services	3	215,492	245,378
Rental income		2,442	3,788
Interest income from lending business		3,455	3,717
Total revenue from continuing operations		221,389	252,883
Cost of sales		(165,269)	(193,809)
Gross profit		56,120	59,074
Interest income		654	675
Other income		4,833	3,892
Selling and distribution expenses		(12,951)	(13,322)
Administrative expenses		(58,921)	(54,237)
Other gains and losses	7	(32,607)	1,950
(Impairment losses) net reversal of impairment losses on financial assets and contract assets		(4,793)	458
Finance costs	5	(2,791)	(2,806)
Loss before taxation from continuing operations		(50,456)	(4,316)
Taxation (charge) credit	6	(189)	1,481
Loss for the period from continuing operations	7	(50,645)	(2,835)
Discontinued operation			
Loss for the period from discontinued operation		–	(3,357)
Loss for the period		(50,645)	(6,192)

	Six months ended	
	30.6.2020	30.6.2019
Note	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other comprehensive (expense) income:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(13,913)	116
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value loss on equity instruments at fair value through other comprehensive income ("FVTOCI")	—	(1,119)
Other comprehensive expense for the period	(13,913)	(1,003)
Total comprehensive expense for the period	(64,558)	(7,195)
Loss for the period attributable to owners of the Company		
– from continuing operations	(50,580)	(2,726)
– from discontinued operation	—	(3,357)
	(50,580)	(6,083)
Loss for the period attributable to non-controlling interests		
– from continuing operations	(65)	(109)
	(50,645)	(6,192)
Total comprehensive expense for the period attributable to:		
Owners of the Company	(64,323)	(7,073)
Non-controlling interests	(235)	(122)
	(64,558)	(7,195)
Loss per share	9	
From continuing and discontinued operations		
Basic (HK cents)	(19.9)	(2.40)
From continuing operations		
Basic (HK cents)	(19.9)	(1.07)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

		30.6.2020	31.12.2019
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	10	244,862	302,280
Investment properties	10	221,197	220,915
Equity instruments at FVTOCI	11	17,855	17,855
Club membership		3,404	3,404
Prepayments and deposits	12	3,595	4,720
Interests in joint ventures		405	405
Loans receivable		21,697	23,011
Deposits paid for acquisition of property, plant and equipment		7,330	11,931
Deferred tax assets		803	–
		<u>521,148</u>	<u>584,521</u>
Current assets			
Inventories		37,262	24,334
Properties under development for sale		110,721	42,598
Financial assets at fair value through profit or loss (“FVTPL”)	11	25,428	64,834
Trade and other receivables, prepayments and deposits	12	141,574	159,113
Contract assets		26,931	19,009
Loans receivable		41,155	44,575
Amounts due from related companies	12	1,221	1,303
Short-term bank deposits		23,228	23,493
Cash and cash equivalents		189,201	208,721
		<u>596,721</u>	<u>587,980</u>

		30.6.2020	31.12.2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Current liabilities			
Trade and other payables and accruals	13	114,527	100,147
Lease liabilities		6,803	6,453
Contract liabilities		8,187	4,636
Tax liabilities		7,896	9,457
Amount due to a non-controlling shareholder of a subsidiary	13	16,417	16,717
Amount due to a related company		153	166
Bank borrowings		88,543	92,168
		242,526	229,744
Net current assets		354,195	358,236
Total assets less current liabilities		875,343	942,757
Non-current liabilities			
Lease liabilities		45,600	48,179
Amount due to a related company		116	269
Deferred tax liabilities		7,967	8,091
		53,683	56,539
Net assets		821,660	886,218
Capital and reserves			
Share capital		2,536	2,536
Reserves		822,583	886,906
Total attributable to owners of the Company		825,119	889,442
Non-controlling interests		(3,459)	(3,224)
Total equity		821,660	886,218

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Attributable to owners of the Company										
	Share capital	Share premium	Deemed contribution from a shareholder	Capital redemption reserve	Contributed surplus	Properties revaluation reserve	Investment revaluation reserve	Translation reserve	Retained profits	Total	Non-controlling interests
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019 (audited)	2,536	368,949	188,957	63	103,571	63,252	(25,770)	8,060	220,414	930,032	(2,750)
Loss for the period	-	-	-	-	-	-	-	-	(6,083)	(6,083)	(109)
Other comprehensive income (expense):											
Fair value loss on equity instruments at FVTOCI	-	-	-	-	-	-	(1,119)	-	-	(1,119)	-
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	129	-	129	(13)
Total comprehensive income (expense) for the period	-	-	-	-	-	-	(1,119)	129	(6,083)	(7,073)	(122)
At 30 June 2019 (unaudited)	2,536	368,949	188,957	63	103,571	63,252	(26,889)	8,189	214,331	922,959	(2,872)
At 1 January 2020 (audited)	2,536	368,949	188,957	63	103,571	63,252	(25,838)	(1,748)	189,700	889,442	(3,224)
Loss for the period	-	-	-	-	-	-	-	-	(50,580)	(50,580)	(65)
Other comprehensive expense:											
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(13,743)	-	(13,743)	(170)
Total comprehensive expense for the period	-	-	-	-	-	-	-	(13,743)	(50,580)	(64,323)	(235)
At 30 June 2020 (unaudited)	2,536	368,949	188,957	63	103,571	63,252	(25,838)	(15,491)	139,120	825,119	(3,459)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Neway Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performances for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

3. REVENUE FROM GOODS AND SERVICES

An analysis of the Group's revenue from goods and services from continuing operations by segment for the period is as follows:

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Types of goods or services from continuing operations:		
Manufacturing and Sales Business*		
– Income from manufacturing and sales of printing products	<u>198,646</u>	<u>218,419</u>
Music and Entertainment Business*		
– Artistes management fee income	57	618
– Concerts and shows income	1	2,780
– Income from the licensing of the musical works	1,132	951
– Other music and entertainment services	–	124
– Promotion income	153	371
– Sales of albums	<u>211</u>	<u>1,852</u>
	<u>1,554</u>	<u>6,696</u>
Trading Business*		
– Sales of printing products	<u>15,292</u>	<u>20,263</u>
	<u><u>215,492</u></u>	<u><u>245,378</u></u>

* The segment names are defined in the section “Segment information” in note 4.

		Six months ended	
		30.6.2020	30.6.2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Continuing operations:			
Geographical markets:			
Hong Kong		99,979	97,691
The People's Republic of China ("PRC")		80,243	96,897
Europe		14,351	19,816
United States		14,495	19,815
Others		6,424	11,159
		215,492	245,378

Information about the Group's revenue from external customers is presented based on the locations of the shipments of goods or the services provided.

		Six months ended	
		30.6.2020	30.6.2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Continuing operations:			
Timing of revenue recognition:			
Over time		198,646	218,419
A point in time		16,846	26,959
		215,492	245,378

4. SEGMENT INFORMATION

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) Money lending ("**Lending Business**");
- (b) Manufacturing and sales of printing and other products ("**Manufacturing and Sales Business**");
- (c) Artistes management, production and distribution of music albums ("**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 properties leasing and investments in Hong Kong;
- (e) Securities trading ("**Securities Trading Business**"); and
- (f) 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 profit (loss)	
	Six months ended		Six months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Continuing operations				
Lending Business	3,455	3,717	1,015	1,848
Manufacturing and Sales Business	198,646	218,419	(3,657)	1,575
Music and Entertainment Business	1,554	6,696	(5,155)	(4,669)
Property Business	2,442	3,788	(1,648)	581
Securities Trading Business	—	—	(34,193)	1,168
Trading Business	15,292	20,263	2,009	3,020
Total	<u>221,389</u>	<u>252,883</u>	<u>(41,629)</u>	<u>3,523</u>
Bank interest income			615	675
Unallocated other income and other gains and losses			52	(36)
Unallocated corporate expenses			<u>(9,494)</u>	<u>(8,478)</u>
Loss before taxation from continuing operations			<u>(50,456)</u>	<u>(4,316)</u>

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

Segment profit (loss) represents the profit earned/loss incurred by each segment without allocation of bank interest income, unallocated other income and other gains and losses and unallocated corporate expenses. This is the measure reported to the Group's management for the purposes of resources allocation and assessment of segment performance.

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

	30.6.2020	31.12.2019
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Segment assets		
Lending Business	63,590	68,242
Manufacturing and Sales Business	415,100	424,397
Music and Entertainment Business	9,392	12,771
Property Business	347,395	274,896
Securities Trading Business	31,553	65,348
Trading Business	16,035	14,313
Total segment assets	883,065	859,967
Other assets	234,804	312,534
Consolidated assets	1,117,869	1,172,501
	30.6.2020	31.12.2019
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Segment liabilities		
Lending Business	871	1,339
Manufacturing and Sales Business	221,923	210,651
Music and Entertainment Business	1,717	4,557
Property Business	39,807	39,974
Securities Trading Business	6	119
Trading Business	12,440	9,188
Total segment liabilities	276,764	265,828
Other liabilities	19,445	20,455
Consolidated liabilities	296,209	286,283

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

- all assets are allocated to operating and reportable segments other than deferred tax assets, certain interest in a joint venture, certain equity instruments at FVTOCI, club membership, certain other receivables, prepayments and deposits, tax recoverable, short-term bank deposits and cash and cash equivalents.
- all liabilities are allocated to operating and reportable segments other than certain other payables and accruals, tax liabilities and deferred tax liabilities.

5. FINANCE COSTS

	Six months ended	
	30.6.2020	30.6.2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Continuing operations:		
Interest on:		
Lease liabilities	1,183	1,355
Bank borrowings	1,560	1,403
Amount due to a related company	48	48
	<u>2,791</u>	<u>2,806</u>

6. TAXATION (CHARGE) CREDIT

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations:		
The taxation (charge) credit comprises:		
Current tax charge for the period:		
Hong Kong	(289)	(819)
The PRC	(766)	(2,359)
	(1,055)	(3,178)
Deferred tax credit	866	4,659
Taxation (charge) credit	(189)	1,481

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 periods.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulations of the EIT Law, the tax rate on the PRC subsidiaries is 25%.

7. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period from continuing operations has been arrived at after charging (crediting):		
Depreciation of right-of-use assets	4,162	4,916
Depreciation of other property, plant and equipment	11,304	9,078
Depreciation of property, plant and equipment	15,466	13,994
Included in other gains and losses:		
Net foreign exchange (gain) loss	(247)	329
Decrease (increase) in fair value in financial assets at FVTPL	33,805	(1,949)
Increase in fair value in investment properties	(541)	(330)
Gain on disposal of property, plant and equipment	(410)	–
	<u>32,607</u>	<u>(1,950)</u>

8. DIVIDENDS

No dividends were paid, declared or proposed during both interim periods. The directors of the Company did not recommend the payment of an interim dividend in respect of the current interim period.

9. LOSS PER SHARE

From continuing and discontinued operations

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

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company for the purpose of calculating basic loss per share	<u>(50,580)</u>	<u>(6,083)</u>
	30.6.2020	30.6.2019

Number of shares

Number of shares in issue for the purpose of basic loss per share	<u>253,639,456</u>	<u>253,639,456</u>
---	--------------------	--------------------

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

From continuing operations

The calculation of the basic loss per share from continuing operations attributable to owners of the Company for the current interim period is based on the following data:

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company	(50,580)	(6,083)
Less: loss for the period from discontinued operation	<u>—</u>	<u>3,357</u>
Loss for the purpose of calculating basic loss per share	<u>(50,580)</u>	<u>(2,726)</u>

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

From discontinued operation

Basic loss per share for the discontinued operation is HK1.32 cent per share for the six months ended 30 June 2019 based on the loss for the period from the discontinued operation of approximately HK\$3,357,000. The denominators used are the same as those detailed above for basic loss per share.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT/INVESTMENT PROPERTIES**Property, plant and equipment**

During the current interim period, the Group's addition to property, plant and equipment was approximately HK\$34,351,000 (six months ended 30 June 2019: approximately HK\$22,290,000).

As at 30 June 2020, property, plant and equipment with an aggregate carrying value of approximately HK\$10,120,000 (31 December 2019: approximately HK\$10,331,000) have been pledged to bank to secure banking facilities granted to the Group.

Investment properties

The increase in fair value of investment properties of approximately HK\$541,000 has been recognised directly in profit or loss for the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$330,000).

The fair value of investment properties as at 30 June 2020 and 31 December 2019 have been arrived at on the basis of valuations carried out by Peak Vision Appraisals Limited, independent qualified professional valuers not related to the Group, for properties located in Hong Kong and the PRC.

The fair values were determined based on the direct comparison approach assuming sale of each of these properties in existing state and by making reference to comparable sales transactions as available in the relevant market and adjusted for differences in the nature and location or where appropriate by income capitalisation approach deriving from the market rentals of all lettable units of the properties and discounting at the market yield expected by investors.

As at 30 June 2020, investment properties with aggregate carrying value of HK\$206,700,000 (31 December 2019: HK\$206,650,000) have been pledged to banks to secure bank borrowing and general banking facilities granted to the Group.

11. EQUITY INSTRUMENTS AT FVTOCI/FINANCIAL ASSETS AT FVTPL

Equity instruments at FVTOCI

	30.6.2020 <i>HK\$'000</i> (Unaudited)	31.12.2019 <i>HK\$'000</i> (Audited)
Unlisted equity securities established in Hong Kong, the PRC and overseas (<i>note</i>)	<u>17,855</u>	<u>17,855</u>

Note: As at 30 June 2020 and 2019, the Group has investments in three unlisted equity securities established in the PRC, two unlisted equity securities in overseas and one unlisted equity security incorporated in Hong Kong which have held for an identified long term strategic purpose.

Financial assets at FVTPL

	30.6.2020 <i>HK\$'000</i> (Unaudited)	31.12.2019 <i>HK\$'000</i> (Audited)
Listed equity investments in Hong Kong	<u>25,428</u>	<u>64,834</u>

12. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS/AMOUNTS DUE FROM RELATED COMPANIES

The Group's credit terms on Manufacturing and Sales Business and Trading Business generally range from 60 to 90 days. Certain 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 the Music and Entertainment Business. The following is an ageing analysis of the trade receivables net of allowance for expected credit losses presented based on the invoice date at the end of the reporting period.

	30.6.2020 <i>HK\$'000</i> (Unaudited)	31.12.2019 <i>HK\$'000</i> (Audited)
Manufacturing and Sales Business and Trading Business:		
0 – 30 days	47,233	72,775
31 – 60 days	27,892	32,715
61 – 90 days	12,125	20,317
Over 90 days	11,166	8,376
	<u>98,416</u>	<u>134,183</u>
Music and Entertainment Business:		
0 – 30 days	583	822
31 – 60 days	190	78
61 – 90 days	9	266
Over 90 days	272	120
	<u>1,054</u>	<u>1,286</u>
Total trade receivables	99,470	135,469
Receivables with brokers' houses	6,107	458
Deposits and other receivables	24,669	13,821
Other tax recoverable	4,190	3,447
Prepayments	10,733	10,638
	<u>145,169</u>	<u>163,833</u>
Analysed for reporting purposes as:		
Current assets	141,574	159,113
Non-current assets	3,595	4,720
	<u>145,169</u>	<u>163,833</u>

Amounts due from related companies are trade nature, unsecured and interest-free. A credit term of 30 days has been granted to the related companies. The following is an ageing analysis of the amounts due from related companies presented based on the invoice date at the end of the reporting period.

	30.6.2020	31.12.2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0 – 30 days	406	–
31 – 60 days	370	–
61 – 90 days	370	–
Over 180 days	75	1,303
	<u>1,221</u>	<u>1,303</u>

13. TRADE AND OTHER PAYABLES AND ACCRUALS/AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

An ageing analysis of the trade payables presented based on the invoice date is as follows:

	30.6.2020	31.12.2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0 – 30 days	49,541	50,325
31 – 60 days	12,830	6,965
61 – 90 days	12,620	3,063
Over 90 days	5,970	3,352
	<u>80,961</u>	<u>63,705</u>
Accrued expenses and other payables	33,566	36,442
	<u>114,527</u>	<u>100,147</u>

Rental deposit received of HK\$1,110,000 (31 December 2019: HK\$370,000) in respect of the non-cancellable operating leases with a related company is included in other payables as at 30 June 2020.

The amount due to a non-controlling shareholder of a subsidiary is unsecured, interest-free and repayable on demand.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (six months ended 30 June 2019: Nil).

REVIEW OF OVERALL FINANCIAL RESULTS

For the Period, revenue of the Group from continuing operations amounted to approximately HK\$221.4 million (six months ended 30 June 2019: approximately HK\$252.9 million), representing a decrease of approximately 12.5% as compared with the six months ended 30 June 2019.

Gross profit from continuing operations for the Period amounted to approximately HK\$56.1 million (six months ended 30 June 2019: approximately HK\$59.1 million). The gross profit margin slightly improved by approximately 1.9 percentage points to approximately 25.3% for the Period (six months ended 30 June 2019: approximately 23.4%).

Loss for the Period amounted to approximately HK\$50.6 million (six months ended 30 June 2019: approximately HK\$6.2 million). The loss recorded for the Period was mainly attributable to: (i) a segment loss recorded in the Music and Entertainment Business of approximately HK\$5.2 million (six months ended 30 June 2019: approximately HK\$4.7 million); (ii) a fair value loss from trading of securities of HK\$33.8 million (six months ended 30 June 2019: fair value gain approximately HK\$1.9 million); and (iii) a segment loss recorded in the Manufacturing and Sales Business of approximately HK\$3.7 million (six months ended 30 June 2019: segment gain of approximately HK\$1.6 million). These factors will be further explained below.

An operating segment regarding the Gaming Distribution Business was discontinued in 2019.

REVIEW OF OPERATIONS AND PROSPECTS

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, the PRC, no transaction was conducted during the Period and the Group is still in search of potential deals.

For the money lending business in Hong Kong, the Group continued to step up its efforts to expand its customer base and loan portfolio, and participated in more joint loan arrangements with other licensed money lenders in Hong Kong and commenced to expand to the personal loan market by using the online money lending platform during the Period. The Group's loan portfolio decreased to approximately HK\$62.9 million as at 30 June 2020 (31 December 2019: approximately HK\$67.6 million) because a portion of the loan portfolio matured and was repaid prior to 30 June 2020.

The total amount of new loans granted during the Period was approximately HK\$7.6 million and the average loan interest income of the portfolio as a whole was approximately 11.0%. Customers of this business segment included both individuals and corporate entities and most of the loans were either secured by properties located in Hong Kong, shares charge or personal guarantee. Over 60% of interest income was received on time during the Period.

During the Period, the loan interest income decreased by approximately 7.0% to approximately HK\$3.5 million (six months ended 30 June 2019: approximately HK\$3.7 million). The decrease in loan interest income was mainly attributable to the maturity of a portion of the loan portfolio during the Period. As all loan receivables were financed by internal resources and little manpower was required for the daily operation of the Lending Business, the Group could maintain a low operating cost and achieve a high profit margin.

The segment profit decreased approximately 45.1% to approximately HK\$1.0 million (six month ended 30 June 2019: approximately HK\$1.8 million), which was mainly due to an impairment loss of approximately HK\$1.5 million recognised during the Period.

The Group will continue to upgrade the operational functions of the online money lending platform and identify new customers and allocate more financial resources to enlarge the loan portfolio and expand the business. Meanwhile, due to the deteriorated economic environment caused by the coronavirus disease 2019 (“**COVID-19**”) pandemic, the Group will continue to carefully review our credit system to suit the rapidly changing market.

Manufacturing and Sales Business

The segment loss margin of the Manufacturing and Sales Business for the Period was approximately 1.8% (six months ended 30 June 2019: segment profit margin of approximately 0.7%), which was mainly attributable to:

- (i) a decrease in revenue by approximately 9.1% to HK\$198.6 million (six month ended 30 June 2019: approximately HK\$218.4 million). Given the outbreak of COVID-19, people either stayed or worked from home as required by the governments of their home countries or by the employers, resulting in a significant decrease in sales activities in the global market. Besides, the gross profit margin slightly increased by 1.5 percentage points to approximately 23.1% for the Period (six month ended 30 June 2019: approximately 21.6%). The improvement of gross profit margin was mainly attributable to the lowered material consumption rate arising from the shift of product mix to products with lower material consumption rate; and
- (ii) an impairment loss recognised on trade receivables and other contract assets of approximately HK\$1.9 million (six months ended 30 June 2019: net reversal of impairment loss of approximately HK\$512,000); and
- (iii) an increase in rental and related expenses of approximately HK\$1.7 million, which was mainly due to the rental expenses and forfeiture of rental deposit for a leased factory in Dongguan, the PRC. As disclosed in the Group’s annual report for the year ended 31 December 2019 (“**2019 Annual Report**”), the Group terminated the rental agreement with the landlord earlier this year and reallocated the production lines to self-owned factory in Shenzhen, the PRC.

During the Period, the Group continued to acquire new manufacturing machineries to increase the production capacity and efficiency of its factories. In addition, the Group will continue to renovate its factories in order to satisfy the stringent quality standards required by our customers and local governments.

Quality management and productivity enhancement continued to be the focus of the Manufacturing and Sales Business in the year 2020. The Group has devoted more financial and human resources to deliver this important and positive message throughout all levels of its entities, which are led by the key management of the Group.

We anticipate the Manufacturing and Sales Business will continue to experience an extremely difficult and challenging environment in the months to come. These factors include, but are not limited to: (i) the outbreak of COVID-19 has changed the consumption behaviour of people all over the world and the poor economic environment of the world has further undermined the desire of consumption; (ii) political and economic tensions between the PRC, the U.S. and other European countries have further intensified the economic uncertainty, thus adversely affecting the sales of China-made products and driving orders and production activities away from the PRC to other Asian countries; and (iii) more stringent environmental requirements in the PRC have increased the operation costs of factories in the PRC. All of these factors may hamper the business environment of the Group as a whole.

To cope with the challenges and to maintain and improve the profitability of this business segment, the Group will adopt total quality management to enhance our production effectiveness, continue to invest in automated machinery and upgrade our production plant and facilities to improve our efficiency and control our costs in a prudent way. The Group will continue to invest in expanding into the market of luxury packaging and paper products which enjoys a higher profit margin. To ensure proper credit control on receivables, the Group will closely monitor the collection of receivables and be cautious of any risk of bad debt from our customers.

Music and Entertainment Business

The loss from this business segment for the Period was approximately HK\$5.2 million (six months ended 30 June 2019: approximately HK\$4.7 million), which was mainly due to a decrease in revenue by approximately 76.8% to approximately HK\$1.6 million (six months ended 30 June 2019: approximately HK\$6.7 million).

During the Period, the revenue was significantly affected by the outbreak of COVID-19 as all the shows and concerts in Hong Kong were suspended and most of the outdoor activities were cancelled. Over 70% of the revenue from this segment was derived from licensing income from online music platforms during the Period. As disclosed in the 2019 Annual Report, 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. However, due to the outbreak of COVID-19, the show has been temporarily suspended, and is expected to be relaunched later this year.

The Group expects that the negative impact from the outbreak of COVID-19 will continue to affect this business segment throughout 2020. Therefore, the Group will continue to explore the investment opportunities and adopt the cost tightening policies to improve the financial results of this segment.

Property Business

Property Development Business

The Group had two property development projects as at 30 June 2020 (30 June 2019: two).

For the period ended 30 June 2020, one project involved 清遠市中清房地產開發有限公司 (unofficial English name: Qingyuan Zhongqing Property Development Co., Ltd.) (“**Zhongqing**”), a non-wholly owned subsidiary of the Company. The other involved 中大印刷(清遠)有限公司 (unofficial English name: Zhongda Printing (Qingyuan) Company Limited) (“**Zhongda Qingyuan**”), a wholly-owned subsidiary of the Company.

For the period ended 30 June 2019, one project involved Zhongqing. The other involved 四川英華房地產有限公司 (unofficial English translation: Sichuan Yinghua Real Estate Co. Ltd.) (“**Yinghua**”) which was disposed of to another shareholder of Yinghua in 2019. Further information of Yinghua was disclosed in the 2019 Annual Report.

Zhongqing held the land use rights of two commercial land parcels in Qingyuan, the PRC. On 18 June 2014, 深圳中星國盛投資發展有限公司 (unofficial English name: 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 of Baoan**”) for, among other matters, the repayment of a shareholder’s loan contributed by Zhongxing Guosheng in an amount of RMB23,479,330 (the “**Litigation**”). On 19 June 2014, pursuant to an application made by Zhongxing Guosheng to freeze and preserve the assets of Zhongqing in a total value of RMB23,400,000, an order was granted by the Court of Baoan to freeze and preserve the two land parcels owned by Zhongqing for a period from 24 June 2014 to 23 June 2016 (the “**Freeze Order**”). The Freeze Order aimed to ensure that Zhongqing would have sufficient assets to repay the shareholder’s loan to the Group.

Two hearing 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 Court of Baoan (the “**Mediation Document**”), acknowledging that: (i) the Group and Zhongqing confirmed that Zhongqing was indebted to Zhongxing Guosheng in the sum of RMB23,479,330; (ii) Zhongqing agreed to repay to Zhongxing Guosheng the sum of RMB23,479,330, together with the interests accrued from 18 June 2014 until the repayment date which was supposed to be within 15 days of the effective date of the Mediation Document; and (iii) where Zhongqing failed to repay the agreed amount, Zhongxing Guosheng would be entitled to request Zhongqing to pay default interest calculated at twice 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 Mediation Document 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 interest to Zhongxing Guosheng.

On 27 May 2016, Zhongxing Guosheng submitted an application to the Court of Baoan for the extension of the term of the Freeze Order and the application was accepted. The extended term of the Freeze Order was from 13 June 2016 until 12 June 2019. In May 2019, Zhongxing Guosheng submitted another application to the Court of Baoan for a further extension of the Freeze Order and the application was accepted also. The extended term of the Freeze Order was from 13 May 2019 until 12 May 2022.

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

The Group, through Zhongda Qingyuan, owned a land parcel in Qingyuan, the PRC, with a total area of approximately 208,000 square metres, and planned to construct industrial buildings thereon for leasing or sale to research centers and relevant enterprises in the biomedical industry. The plan was approved by the Guangdong Qingyuan High-tech Industrial Development Zone Management Committee Office in March 2020 and highly supported by Qingyuan government. The construction work of the first industrial building commenced in July 2020 and the total construction areas represented around 5.0% of the total planned construction areas of the whole land. It is preliminarily anticipated that the land will be fully developed within three years and the Group may work together with other business partners to develop the land.

This business segment included the amounts of the land cost and construction in progress. Such amounts were recorded in the Manufacturing and Sales Business segment as at 31 December 2019.

Property Investment Business

During the Period, the Property Investment Business included: (i) the Mini Storage Business operated by a wholly-owned subsidiary of the Company; and (ii) 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 30 June 2020, the occupancy rate of storage units is approximately 51% (31 December 2019: approximately 61%).

In order to meet the safety requirements stipulated by relevant government authorities, the Group renovated the ground floor and 1st floor of the Fanling Building. The renovation work was complete and pending a final inspection by government authorities which is expected to be further delayed due to the outbreak of COVID-19. During the Period, the occupancy rate of storage units was further worsen due to the outbreak of COVID-19. Depending on the market condition, the Group will allocate more resources to promote the Mini Storage Business and facilitate a rebound of the low occupancy rate.

Properties Leasing and Investment

The Properties Leasing Business involved two properties of the Group. The first was a commercial property situated in Yuen Long, Hong Kong (the “**Yuen Long Property**”), which was leased to a related company of the Group and was operating as a karaoke outlet as at 30 June 2020. During the Period, due to the adverse economic impact arising from the outbreak of COVID-19, the Group provided to the tenant a rental concession in the amount of HK\$1,110,000 which was deducted from the revenue of the segment.

The other was a commercial property situated in Beijing, the PRC (the “**Beijing Property**”). The Beijing Property was re-classified as an investment property in 2017 upon the change of property usage. During the Period, the Beijing Property was leased to an independent third party and the rental income was approximately HK\$407,000 (six months ended 30 June 2019: approximately HK\$389,000).

According to the Group’s accounting policies, Fanling Building, Yuen Long Property and Beijing Property were classified as investment properties and were carried at fair value as at 30 June 2020. A fair value gain of approximately HK\$541,000 was recorded in “other gains and losses” during the Period (six months ended 30 June 2019: approximately HK\$330,000). The increase in fair value gain was mainly due to the increase in fair value of Fanling Building and Beijing Property which was offset by the decrease in fair value of Yuen Long Property. Subsequent to the Period, the Group early terminated the tenancy agreement of Yuen Long Property with the existing tenant by mutual agreement and entered into a new tenancy agreement with an independent third party. For Beijing Property, the Group expects that it will continue to generate stable rental income in the latter half of year 2020.

Securities Trading and Equity Investments Business

The Group's equity instruments at fair value through other comprehensive income ("FVTOCI") and financial assets at fair value through profit and loss ("FVTPL") as at 30 June 2020 amounted to approximately HK\$43.3 million (31 December 2019: approximately HK\$82.7 million). During the Period, the Group recorded a fair value loss of securities trading investments listed in Hong Kong of approximately HK\$33.8 million (six months ended 30 June 2019: fair value gain of approximately HK\$1.9 million), a realized loss of approximately HK\$5.5 million (six months ended 30 June 2019: realized gain of approximately HK\$180,000).

The Group's investments as at 30 June 2020 included securities of 16 listed companies on the Main Board or GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and 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 total assets as at 30 June 2020. The largest investment is the securities in Easy One Financial Group Limited ("Easy One" (stock code: 00221)), which represented 2.61% of the total share capital of Easy One. Easy One is principally engaged in the provision of finance and securities brokerage services in Hong Kong and the property development in the PRC. Its fair value as at 30 June 2020 amounted to approximately HK\$10.7 million, representing approximately 1.0% of the Group's total assets as at 30 June 2020.

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.

Trading Business

The revenue from the Trading Business decreased by approximately 24.5% to approximately HK\$15.3 million for the Period (six months ended 30 June 2019: approximately HK\$20.3 million). Segment profit margin for the Period slightly decreased by approximately 1.8 percentage points to approximately 13.1% (six months ended 30 June 2019: approximately 14.9%). The decrease was mainly due to the suspension of large-scale construction and renovation work in Hong Kong, which was one of the primary income sources of this business segment. Besides, the sales generated by customers in the PRC also decreased during the Period. The cost and expenses remained stable during the Period, thus leading to a lowered profit margin.

The Group will continue to allocate more resources to expand and develop its sales team in both Hong Kong and the PRC to broaden its customer base and optimize its product mix.

Other Business

As disclosed in the 2019 Annual Report, the Group commenced a new business of manufacturing and sales of surgical masks during the Period. Two production lines were established and a part of Fanling Building was renovated as a clean room for this business. Production of surgical masks was commenced during the Period and the revenue for the Period was approximately HK\$2.7 million and a loss of approximately HK\$0.9 million was recorded. The financial performance of this business is included in the Manufacturing and Sales Business segment in the financial statements.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2020, the Group had cash and cash equivalents and short-term bank deposits of approximately HK\$212.4 million (31 December 2019: approximately HK\$232.2 million). Current ratio stood at 2.5 (31 December 2019: 2.6) and quick ratio was 1.9 as at 30 June 2020 (31 December 2019: 2.3). These ratios represent an ample cash flow and a stable liquidity position as at 30 June 2020.

Current ratio is calculated by dividing total assets by total current liabilities as at the end of the Period.

Quick ratio is calculated by dividing total current assets less inventories and properties under development for sales by total current liabilities as at the end of the Period.

As at 30 June 2020, total borrowings of the Group amounted to approximately HK\$157.6 million (31 December 2019: approximately HK\$164.0 million). Gearing ratio was 19.2% as at 30 June 2020 (31 December 2019: 18.5%), which was calculated by dividing the Group's total borrowings by the Group's total equity of approximately HK\$821.7 million as at 30 June 2020 (31 December 2019: approximately HK\$886.2 million) then multiplying the value by 100%. The increase in gearing ratio by 0.7% was mainly due to the decrease in net assets value of the Group and the reasons were stated below.

The current ratio and quick ratio as at 30 June 2020 were lower as compared with the respective figures as at 31 December 2019. Such decrease was mainly attributable to: (i) the decrease in financial assets at FVTPL in the securities trading business of approximately

HK\$39.4 million; (ii) the decrease in trade and other receivables, prepayments and deposits of approximately HK\$17.5 million which was mainly due to a decrease in revenue of the Group; and (iii) the increase in trade and other payable and accruals of approximately HK\$14.4 million which was mainly due to the fact that more materials were purchased towards the end of the Period to meet the expected increase in sales of the second half of 2020.

The Group's total borrowings included: (i) an amount of approximately HK\$269,000 due to a related company (31 December 2019: approximately HK\$435,000); (ii) an amount of approximately HK\$16.4 million due to a non-controlling shareholder of a subsidiary (31 December 2019: approximately HK\$16.7 million); (iii) secured bank borrowings of approximately HK\$88.5 million (31 December 2019: approximately HK\$92.1 million); and (iv) lease liabilities of approximately HK\$52.4 million (31 December 2019: approximately HK\$54.6 million). Secured bank borrowings were payable within three years and carried interests at the Hong Kong Inter-bank Offered Rate (the “**HIBOR**”) plus 1.85% to 2.25% per annum. The amount due to a related company was unsecured, payable within one year and carried interest at rates ranging from 18% to 20% per annum. The amount due to a non-controlling shareholder of a subsidiary was unsecured, interest-free and repayable on demand. The weighted average lessee's incremental borrowing rate applied in lease liabilities was 4.59%.

All borrowings were denominated in Hong Kong dollars (“**HK dollars**”) and Renminbi (“**RMB**”) and the majority of the cash and cash equivalents was denominated in RMB, HK dollars and United States dollars (“**US dollars**”).

The Group generally finances its operation with cash flows generated internally and bank facilities obtained in Hong Kong. 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 its cash balance, thereby maintaining a strong and healthy liquidity level and ensuring that any business opportunity will be promptly seized.

FOREIGN EXCHANGE RISK

The Group's sales and purchases were principally denominated in Renminbi, HK dollars and US dollars. Except for Renminbi, there was no significant fluctuation in the exchange rate between HK dollars and US dollars throughout the Period. The management will closely monitor the foreign exchange risk of Renminbi and identify potential significant adverse impact (if any) that may affect the PRC operations of the Group. If necessary, the Group will consider using appropriate hedging solutions. The Group did not use any financial instrument for hedging purpose during the Period and it did not have any outstanding hedging instrument as at 30 June 2020.

CAPITAL EXPENDITURE

During the Period, capital expenditure of the Group for property, plant and equipment amounted to approximately HK\$34.4 million (six months ended 30 June 2019: approximately HK\$22.3 million). The capital expenditure was mainly attributable to the acquisitions 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 30 June 2020, the Group had capital commitments of approximately HK\$2.1 million (31 December 2019: approximately HK\$20.3 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 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 30 June 2020 (31 December 2019: Nil).

PLEDGE OF ASSETS

As at 30 June 2020, the Group had pledged leasehold building and investment properties with an aggregate carrying value of approximately HK\$216.6 million (31 December 2019: approximately HK\$217.0 million) to secure the mortgage loan for certain investment properties and the general banking facilities granted to the Group. As at 30 June 2020, the Group has minimum lease payments under lease liabilities of approximately HK\$52.4 million of which approximately HK\$16.1 million are secured by rental deposit of approximately HK\$1.6 million. Save as aforesaid, no other asset was pledged by the Group as at 30 June 2020.

SHARE CAPITAL AND CAPITAL STRUCTURE

There was no change in the share capital or capital structure of the Company during the Period.

HUMAN RESOURCES

As at 30 June 2020, the Group had approximately 1,470 full-time employees (31 December 2019: approximately 1,520). Total staff costs (including Directors' remuneration) for the Period were approximately HK\$72.0 million (six months ended 30 June 2019: approximately HK\$83.1 million).

The remuneration schemes of the Group are generally structured with reference to market conditions and the qualifications of the employees and reward packages, including discretionary bonus, for 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

Reference is made to the announcement of the Company dated 25 April 2016 in respect of the lease of certain properties in Yuen Long (“**Properties**”) by Supreme Cycle Inc., a wholly-owned subsidiary of the Company (“**Landlord**”), to Well Dragon Limited (“**Tenant**”). The current term of the tenancy agreement in respect of the lease will expire on 15 March 2022 (“**Tenancy Agreement**”).

On 31 July 2020, the Landlord and the Tenant entered into the deed of surrender, pursuant to which the Landlord and the Tenant agreed on the early termination of the Tenancy Agreement and the surrender of the Properties with effect from 31 July 2020 subject to the terms set out therein. For further details, please refer to the announcement of the Company dated 31 July 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (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 Period.

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.

AUDIT COMMITTEE

The audit committee of the Board (the “**Audit Committee**”) comprises one non-executive Director and two independent non-executive Directors. The Audit Committee has reviewed with the management the accounting policies, discussed with the Board the auditing, internal controls, risk management and financial reporting matters of the Group and reviewed the interim results and the unaudited condensed consolidated financial statements of the Group for the Period.

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 Period.

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 deviation 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 Period:

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

The Board has not established a nomination committee which is 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 suitably qualified individuals 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.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the Period have not been audited, but have been reviewed by the Audit Committee and the Group’s auditors, Messrs. Deloitte Touche Tohmatsu, Registered Public Interest Entity Auditors.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE’S WEBSITE AND THE COMPANY’S WEBSITE

A detailed interim report of the Group for the Period will be published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.newwaygroup.com.hk in September 2020.

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

Hong Kong, 28 August 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.