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 2023 (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 2023

		Six months ended	
	NOTE	**30.6.2023**	30.6.2022
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue			
Revenue from goods and services	*3*	**181,070**	227,104
Rental income		**1,090**	1,464
Interest income from lending business		**2,954**	1,448
Total revenue		**185,114**	230,016
Cost of sales		**(178,617)**	(178,039)

* *For identification purpose only*

	NOTES	Six months ended 30.6.2023 HK$'000 (Unaudited)	30.6.2022 HK$'000 (Unaudited)
Gross profit		**6,497**	51,977
Interest income		**2,855**	184
Other income		**677**	3,048
Selling and distribution expenses		**(16,341)**	(15,545)
Administrative and other expenses		**(61,014)**	(74,381)
Other gains and losses, net	*7*	**1,596**	77,372
Net reversal of impairment losses on financial assets and contract assets		**100**	98
Finance costs	*5*	**(3,263)**	(1,748)
(Loss) profit before taxation		**(68,893)**	41,005
Taxation credit (charge)	*6*	**11,548**	(2,810)
(Loss) profit for the period	*7*	**(57,345)**	38,195
Other comprehensive expense:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(15,863)**	(23,797)
Total comprehensive (expense) income for the period		**(73,208)**	14,398

	NOTE	Six months ended 30.6.2023	30.6.2022
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
(Loss) profit for the period attributable to owners of the Company		**(57,287)**	38,249
Loss for the period attributable to non-controlling interests		**(58)**	(54)
		(57,345)	38,195
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(73,322)**	14,294
Non-controlling interests		**114**	104
		(73,208)	14,398
(Loss) earnings per share	*9*		
Basic *(HK cents)*		**(22.6)**	15.1

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	NOTES	**30.6.2023**	31.12.2022
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	*10*	**165,052**	206,578
Investment properties	*10*	**110,758**	111,152
Equity instruments at fair value through other comprehensive income ("**FVTOCI**")	*11*	**22,139**	22,285
Club membership		**3,404**	3,404
Prepayments and deposits	*13*	**5,660**	5,970
Interests in joint ventures		**393**	393
Loans receivable		**15,599**	15,938
Deposit paid for acquisition of property, plant and equipment		**2,275**	2,297
Deferred tax assets		**25,221**	13,971
		350,501	381,988
Current assets			
Inventories		**31,523**	37,118
Properties under development for sale	*12*	**345,997**	326,097
Financial assets at fair value through profit or loss ("**FVTPL**")	*11*	**17,333**	17,375
Trade and other receivables, prepayments and deposits	*13*	**122,785**	116,131
Contract assets		**28,357**	30,265
Loans receivable		**23,447**	33,415
Tax recoverable		**478**	478
Pledged bank deposits		**70,744**	60,000
Short-term bank deposits		**–**	15,597
Cash and cash equivalents		**158,164**	125,297
		798,828	761,773

	NOTES	30.6.2023	31.12.2022
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Current liabilities			
Trade and other payables and accruals	*14*	**131,311**	138,418
Lease liabilities		**12,180**	12,996
Contract liabilities	*15*	**130,499**	8,798
Tax liabilities		**5,525**	5,269
Amount due to a non-controlling shareholder of a subsidiary	*14*	**16,214**	16,978
Bank borrowings		**75,485**	72,731
		371,214	255,190
Net current assets		**427,614**	506,583
Total assets less current liabilities		**778,115**	888,571
Non-current liabilities			
Lease liabilities		**46,058**	54,702
Bank borrowings		**10,496**	38,483
Deferred tax liabilities		**6,628**	7,245
		63,182	100,430
Net assets		**714,933**	788,141
Capital and reserves			
Share capital		**2,533**	2,533
Reserves		**716,119**	789,441
Total attributable to owners of the Company		**718,652**	791,974
Non-controlling interests		**(3,719)**	(3,833)
Total equity		**714,933**	788,141

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Attributable to owners of the Company											
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Deemed contribution from a shareholder** *HK$'000*	**Capital redemption reserve** *HK$'000*	**Contributed surplus** *HK$'000*	**Properties revaluation reserve** *HK$'000*	**Investment revaluation reserve** *HK$'000*	**Translation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Sub-total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
At 1 January 2022 (audited)	2,536	368,949	188,957	63	103,571	63,252	(22,986)	39,902	91,470	835,714	(3,656)	832,058
Profit (loss) for the period	–	–	–	–	–	–	–	–	38,249	38,249	(54)	38,195
Other comprehensive (expense) income:												
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	(23,955)	–	(23,955)	158	(23,797)
Total comprehensive (expense) income for the period	–	–	–	–	–	–	–	(23,955)	38,249	14,294	104	14,398
At 30 June 2022 (unaudited)	2,536	368,949	188,957	63	103,571	63,252	(22,986)	15,947	129,719	850,008	(3,552)	846,456
At 1 January 2023 (audited)	2,533	368,851	188,957	63	103,571	63,252	(22,986)	(1,795)	89,528	791,974	(3,833)	788,141
Loss for the period	–	–	–	–	–	–	–	–	(57,287)	(57,287)	(58)	(57,345)
Other comprehensive (expense) income:												
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	(16,035)	–	(16,035)	172	(15,863)
Total comprehensive (expense) income for the period	–	–	–	–	–	–	–	(16,035)	(57,287)	(73,322)	114	(73,208)
At 30 June 2023 (unaudited)	2,533	368,851	188,957	63	103,571	63,252	(22,986)	(17,830)	32,241	718,652	(3,719)	714,933

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 change 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 2023 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2022.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

2.1 Impacts and changes in accounting policies on application of Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

2.1.1 Accounting policies

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

2.1.2 Transition and summary of effects

As disclosed in the Group's annual financial statements for the year ended 31 December 2022, the Group previously applied the HKAS 12 requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis. Upon the application of the amendments, the Group assessed the relevant assets and liabilities separately. In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group recognised the related deferred tax assets and deferred tax liabilities with same amount of approximately HK$10,375,000 as at 1 January 2022 on a gross basis but it has no impact on the retained earnings at the earliest period presented.

2.2 Impacts on application of Amendments to HKAS 12 *Income Taxes International Tax Reform-Pillar Two model Rules*

In July 2023, the HKICPA issued the amendments to HKAS 12 to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "**Pillar Two legislation**"). The amendments require that entities shall apply the amendments immediately upon issuance. The amendments also require that entities shall disclose separately its current tax expense/income related to Pillar Two income taxes, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current interim period because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

2.3 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

In addition, the Group will apply Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies* which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's consolidated financial statements for the year ending 31 December 2023.

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements but is expected to affect the disclosures of the Group's accounting policies in the Group's annual consolidated financial statements for the year ending 31 December 2023.

3. REVENUE FROM GOODS AND SERVICES

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

	Six months ended	
	30.6.2023	30.6.2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Types of goods or services:		
Manufacturing and Sales Business*		
– Income from manufacturing and sales of printing and other products	**165,539**	212,063
Music and Entertainment Business*		
– Income from the licensing of the musical works	**1,132**	1,035
– Sales of albums	**276**	496
	1,408	1,531
Trading Business*		
– Sales of printing and other products	**14,123**	13,510
	181,070	227,104

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

	Six months ended	
	30.6.2023	30.6.2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Geographical markets:		
Hong Kong	**68,965**	74,124
The People's Republic of China ("**PRC**")	**88,442**	104,320
Europe	**5,569**	8,125
United States	**16,225**	34,825
Others	**1,869**	5,710
	181,070	227,104

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	
	30.6.2023	30.6.2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Timing of revenue recognition:		
Over time	**165,539**	212,063
A point in time	**15,531**	15,041
	181,070	227,104

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 ("**Property Development Business**"), including properties development projects in the PRC and Hong Kong;

(e) Property investment ("**Property Investment Business**"), including properties leasing and investments in the PRC and Hong Kong;

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

(g) Trading of printing and other 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**	
	30.6.2023	30.6.2022	**30.6.2023**	30.6.2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Lending Business	**2,954**	1,448	**1,861**	878
Manufacturing and Sales Business	**165,539**	212,063	**(50,246)**	(1,159)
Music and Entertainment Business	**1,408**	1,531	**(1,397)**	(728)
Property Development Business	**–**	–	**(6,356)**	(5,904)
Property Investment Business	**1,090**	1,464	**(2,641)**	69,020
Securities Trading Business	**–**	–	**(285)**	(2,041)
Trading Business	**14,123**	13,510	**(93)**	(2,974)
Total	**185,114**	230,016	**(59,157)**	57,092
Bank interest income			**2,855**	10
Unallocated other income and other gains and losses, net			**184**	670
Unallocated corporate expenses			**(12,775)**	(16,767)
(Loss) profit before taxation			**(68,893)**	41,005

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

Segment (loss) profit represents the loss incurred/profit earned by each segment without allocation of bank interest income, unallocated other income and other gains and losses, net 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:

	30.6.2023	31.12.2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Segment assets		
Lending Business	**39,258**	49,580
Manufacturing and Sales Business	**305,446**	363,680
Music and Entertainment Business	**4,143**	3,513
Property Investment Business	**111,239**	111,850
Property Development Business	**372,903**	331,025
Securities Trading Business	**18,935**	18,979
Trading Business	**14,984**	17,072
Total segment assets	**866,908**	895,699
Other assets	**282,421**	248,062
Consolidated assets	**1,149,329**	1,143,761

	30.6.2023	31.12.2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Segment liabilities		
Lending Business	**347**	514
Manufacturing and Sales Business	**182,568**	190,155
Music and Entertainment Business	**3,835**	4,581
Property Development Business	**204,929**	113,805
Property Investment Business	**18,446**	18,888
Securities Trading Business	**116**	169
Trading Business	**10,214**	13,434
Total segment liabilities	**420,455**	341,546
Other liabilities	**13,941**	14,074
Consolidated liabilities	**434,396**	355,620

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

- all assets are allocated to operating and reportable segments other than certain property and equipment, certain interest in a joint venture, certain equity instruments at FVTOCI, club membership, deferred tax assets, 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	
	30.6.2023	30.6.2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on:		
Lease liabilities	**1,124**	1,334
Bank borrowings	**2,139**	411
Amount due to a related company	**–**	3
	3,263	1,748

6. TAXATION CREDIT (CHARGE)

	Six months ended	
	30.6.2023	30.6.2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The taxation charge comprises:		
Hong Kong Profits Tax charge for the period	**–**	(2,094)
PRC Enterprise Income Tax charge for the period	**(166)**	(816)
	(166)	(2,910)
Deferred tax credit	**11,714**	100
Taxation credit (charge)	**11,548**	(2,810)

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 condensed 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%.

During the six months ended 30 June 2022, an indirect wholly-owned subsidiary of the Company reached a preliminary agreement with the Inland Revenue Department to accept a tax penalty of approximately HK$3,700,000 and additional tax payables of approximately HK$2,094,000 for previous years of assessment from 2008/2009 to 2020/2021. Accordingly, tax penalty of approximately HK$3,700,000 was provided during the six months ended 30 June 2022 and included in "Administrative and other expenses" and the additional tax payables of approximately HK$2,094,000 was provided during the six months ended 30 June 2022 and included in "Taxation charge". Tax reserve certificates of approximately HK$5,794,000 purchased by the Group in prior years have been utilized to settle the aforesaid payables during the six months ended 30 June 2022.

7. (LOSS) PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2023	30.6.2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss) profit for the period has been arrived at after charging (crediting):		
Depreciation of right-of-use assets	**6,649**	7,443
Depreciation of other property, plant and equipment	**10,679**	12,183
Depreciation of property, plant and equipment	**17,328**	19,626
Write-down of inventories (included in cost of sales)	**64**	272
Impairment losses on property, plant and equipment (included in cost of sales)	**18,500**	–
Included in other gains and losses, net:		
Net foreign exchange gain	**(1,301)**	(7,541)
Decrease in fair value in financial assets at FVTPL	**42**	2,152
(Increase) decrease in fair value in investment properties	**(337)**	4,459
Gain on disposal of a subsidiary	**–**	(76,442)
	(1,596)	(77,372)

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) EARNINGS PER SHARE

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

	Six months ended	
	30.6.2023	30.6.2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss) profit for the period attributable to owners of the Company for the purpose of calculating basic (loss) earnings per share	**(57,287)**	38,249

	Six months ended	
	30.6.2023	30.6.2022
	(Unaudited)	(Unaudited)
Number of shares		
Number of shares in issue for the purpose of basic (loss) earnings per share	**253,359,456**	253,639,456

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

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT/INVESTMENT PROPERTIES

Property, plant and equipment

During the six months ended 30 June 2023, the Group acquired property, plant and equipment of approximately HK$1,300,000 (six months ended 30 June 2022: approximately HK$16,136,000).

During the six months ended 30 June 2022, the Group disposed of property, plant and equipment of approximately HK$13,669,000 through the disposal of a subsidiary.

Due to the unsatisfied financial performance of Manufacturing and Sales Business, the management of the Group concluded there was indication for impairment and conducted impairment assessment on certain property, plant and equipment (including right-of-use assets) under Manufacturing and Sales Business with carrying amounts of HK$182,917,000 (31 December 2022: HK$205,942,000). The recoverable amount has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and pre-tax discount rate of 16.2% (31 December 2022: 15.5%) as at 30 June 2023. Cash flows beyond the five-year period are extrapolated using a steady 2.25% (31 December 2022: 2.25%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the past performance and management's expectations for the market development. During the six months ended 30 June 2023, an impairment of loss of approximately HK$18,500,000 (six months ended 30 June 2022: Nil) was recognised in respect of property, plant and equipment as the financial performance is below the expectation of the financial forecast made by the management of the Group as at 31 December 2022. The relevant assets were impaired to their recoverable amount of HK$164,417,000, which is their carrying values as at 30 June 2023. If the pre-tax discount rate was changed to 16.7%, while other parameters remain constant, further impairment of approximately HK$6,266,000 would be recognised during the six months ended 30 June 2023.

Investment properties

The fair value of investment properties as at 30 June 2023 and 31 December 2022 were arrived at on the basis of valuations carried out by Peak Vision Appraisals Limited, independent qualified professional valuers not related to the Group, of properties located in Hong Kong and the PRC.

The fair value of investment properties was determined based on income capitalisation approach deriving from the market rentals of all lettable units of the properties and discounting at the market yield expected by investors.

The increase in fair value of approximately HK$337,000 (six months ended 30 June 2022: decrease in fair value of approximately HK$4,459,000) of investment properties has been recognised directly in profit or loss for the six months ended 30 June 2023. The increase/decrease is resulted from the increase/decrease in the market rental transactions of comparable properties.

During the six months ended 30 June 2022, the Group disposed investment properties of approximately HK$137,357,000 through the disposal of a subsidiary.

As at 30 June 2023, investment properties with an aggregate carrying value of HK$95,300,000 (31 December 2022: approximately HK$94,400,000) were pledged to banks to secure bank borrowings and general banking facilities granted to the Group.

11. EQUITY INSTRUMENTS AT FVTOCI/FINANCIAL ASSETS AT FVTPL

Equity instruments at FVTOCI

	30.6.2023	31.12.2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Unlisted equity securities established in Hong Kong, the PRC and overseas *(note)*	**22,139**	22,285

Note: As at 30 June 2023 and 31 December 2022, the Group had investments in three unlisted equity securities established in the PRC, three 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

	30.6.2023	31.12.2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Listed equity investments in Hong Kong	**17,333**	17,375

12. PROPERTIES UNDER DEVELOPMENT FOR SALE

The properties under development for sale of the Group are situated on the lands located in the PRC.

During the six months ended 30 June 2023, the Group's addition to properties under development for sale was approximately HK$35,975,000 (six months ended 30 June 2022: HK$68,263,000).

As at 30 June 2023, properties under development for sale of approximately HK$309,516,000 (31 December 2022: HK$287,898,000) were developed on the land in the PRC owned by 中大印刷(清遠)有限公司 ("**Zhongda Qingyuan**"), a wholly-owned subsidiary of the Company. Zhongda Qingyuan has commenced the pre-sales activities since the second half of 2022. The remaining properties under development for sale of approximately HK$36,481,000 (31 December 2022: HK$38,199,000) were developed on the land in the PRC owned by 清遠市中清房地產開發有限公司, a non-wholly-owned subsidiary of the Company.

13. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

The Group's credit terms on Manufacturing and Sales Business and Trading Business generally range from 60 to 90 days. Credit term 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 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.

	30.6.2023 ***HK$'000*** **(Unaudited)**	31.12.2022 *HK$'000* (Audited)
Manufacturing and Sales Business and Trading Business:		
0 – 30 days	**46,450**	50,201
31 – 60 days	**19,705**	21,553
61 – 90 days	**10,854**	10,240
Over 90 days	**3,657**	9,919
	80,666	91,913
Music and Entertainment Business:		
0 – 30 days	**111**	287
Over 90 days	**–**	81
	111	368
Total trade receivables	**80,777**	92,281
Receivables with brokers' houses	**2,315**	2,279
Deposits and other receivables	**15,803**	10,017
Other tax recoverable	**15,686**	3,948
Prepayments	**13,864**	13,576
	128,445	122,101
Analysed for reporting purposes as:		
Current assets	**122,785**	116,131
Non-current assets	**5,660**	5,970
	128,445	122,101

14. 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:

	30.6.2023	31.12.2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 30 days	**36,963**	41,536
31 – 60 days	**8,084**	10,502
61 – 90 days	**3,422**	2,774
Over 90 days	**1,034**	1,295
	49,503	56,107
Construction costs payables for properties under development for sale aged 0-30 days	**2,401**	–
Total trade payables	**51,904**	56,107
Accrued construction costs for properties under development for sale	**40,437**	50,352
Accrued expenses and other payables	**38,970**	31,959
	131,311	138,418

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

15. CONTRACT LIABILITIES

	30.6.2023	31.12.2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contract liabilities from Trading Business	**435**	759
Contract liabilities from Music and Entertainment Business	**–**	1,538
Contract liabilities from Manufacturing and Sales Business	**4,774**	6,501
Contract liabilities from Property Development Business	**125,290**	–
	130,499	8,798

Contract liabilities are classified as current liabilities because the Group expects to recognise them as revenue when the respective performance obligations are fulfilled within 12 months after the end of the reporting period.

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

When the Group receives a deposit before the printing products delivery, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit. The Group receives a 10% to 30% deposit on acceptance of orders for trading of printing products from certain customers.

When the Group receives a deposit before the completion of concert and show, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit. The Group receives a 10% to 30% deposit from certain customers when the contract for concert and show signed.

When the Group receives a deposit before the manufacturing of printing product commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit. The Group receives a 10% to 50% deposit on acceptance of manufacturing orders from certain customers.

When the Group generally receives a 20% to 30% deposit upon signing the sales and purchase agreement with customers for the properties selling and further receives the remaining sales consideration when the mortgage loans were granted to the property purchasers, this will result in contract liabilities being recognised throughout the property construction period until the customer obtains control of the completed properties for sale. The Group has commenced the pre-sales for the properties under development for sale since the second half of 2022 as disclosed in note 12 and therefore certain deposits were received from the customers in respect of the sales and purchase agreement signed as at 30 June 2023.

16. FINANCIAL GUARANTEES

During the six months ended 30 June 2023, Zhongda Qingyuan entered into cooperation agreements with banks, pursuant to which Zhongda Qingyuan agreed to provide the transitional guarantees for the mortgage loans granted to the purchasers of properties under development for sale. Accordingly, the Group is required to pay 5% to 12% out of the granted guarantees amount to the banks as pledged bank deposits. As at 30 June 2023, the guarantees given to banks by the Group in respect of the mortgage loans granted to property purchasers amounted to approximately HK$95,460,000 (31 December 2022: nil) and the pledged bank deposits paid to the banks amounted to approximately HK$10,744,000 (31 December 2022: nil).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (six months ended 30 June 2022: Nil).

REVIEW OF OVERALL FINANCIAL RESULTS

For the Period, revenue of the Group amounted to approximately HK$185.1 million (six months ended 30 June 2022: approximately HK$230.0 million), representing a decrease of approximately 19.5% as compared with the six months ended 30 June 2022.

Gross profit for the Period amounted to approximately HK$6.5 million (six months ended 30 June 2022: approximately HK$52.0 million), representing a decrease in gross profit margin of approximately 19.1 percentage points to approximately 3.5% for the Period (six months ended 30 June 2022: approximately 22.6%).

Loss for the Period amounted to approximately HK$57.3 million (six months ended 30 June 2022: profit of approximately HK$38.2 million). The loss recorded for the Period was mainly attributable to: (i) a segment loss recorded in the Manufacturing and Sales Business of approximately HK$50.2 million (six months ended 30 June 2022: approximately HK$1.2 million); and (ii) a segment loss recorded in the Property Development Business of approximately HK$6.4 million (six months ended 30 June 2022: approximately HK$5.9 million). The financial performance of the Group's various business segments is further explained below.

REVIEW OF OPERATIONS AND PROSPECTS

Lending Business

The Lending Business mainly refers to the Group's money lending business in Hong Kong.

The Group's money lending business in Hong Kong is carried out by Grand Prospects Finance International Limited（華泰財務國際有限公司）("**Grand Prospects**"), a wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability and a licensed money lender under the Money Lending Ordinance (Chapter 163 of the Laws of Hong Kong). Customers of this segment included both individuals and corporate entities and most of the loans were either secured by charge over properties located in Hong Kong, pledges of shares or personal guarantees.

All loan applications from potential customers are reviewed and approved by the responsible officer in accordance with Grand Prospects' internal loan approval guidelines ("**Internal Guidelines**"). To assess whether a loan application is approved, the responsible officer will (i) collect and verify the required information and supporting documents from the potential customers; and (ii) assess the value and quality of the collateral that the potential customers intend to provide (if any). Legal search on the borrowers and collateral will also be conducted if necessary.

If the responsible officer intends to grant a loan upon the completion of the entire credit approval process, he/she will determine the terms of the loan in accordance with the Internal Guidelines and with reference to various factors including but not limited to the background and credit worthiness of the customers, nature and value of the collateral provided (if any), the prevailing market interest rate and other relevant factors as the responsible officer deems appropriate. Thereafter, loan documents will be prepared accordingly and customers are required to provide signed and post-dated bank cheques in accordance with the repayment schedules set out in the loan documents.

In the event that the highest applicable percentage ratio (as defined under the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")) in respect of a grant of loan exceeds 5%, the loan application will be forwarded to the Board and a meeting of the Board will be convened to consider and, if thought fit, approve the same.

Periodic assessments will be conducted on the recoverability of the loans granted based on the creditworthiness of the customers, taking into account their history of default (if any), ability to make timely payment of interest during the tenure of the loans and the loan-to-collateral ratios, to ensure if any follow-up action should be taken to avoid potential exposure to credit risks. Generally, a reminder letter will be issued to the customer in the event of default. Depending on the circumstances, if a loan is overdue for more than two months, Grand Prospects may consider taking legal actions.

As at 30 June 2023, the Lending Business had 13 customers. The total amount of new loans granted during the Period was approximately HK$1.7 million, and the average interest rate of the Group's loan portfolio was approximately 15%. During the Period, the interest income from loans increased by approximately 104.0% to approximately HK$3.0 million (six months ended 30 June 2022: approximately HK$1.4 million). The increase in loan interest income was mainly attributable to the increase in loan portfolio in the second half of 2022. The segment profit increased by approximately 112.0% to approximately HK$1.9 million (six months ended 30 June 2022: approximately HK878,000) due to the increase in loan interest income during the Period.

Due to the keen market competition, the Group will take calculated risks when expanding the loan portfolio of the Lending Business. The Group will continue to cooperate with other money lending companies to attract more new customers. Given the changing economic environment, the Group will allocate its financial resources among all operation segments carefully and expand the business scale by enlarging the loan portfolio in a prudent manner.

Manufacturing and Sales Business

The segment loss margin of the Manufacturing and Sales Business for the Period was approximately 30.4% (six months ended 30 June 2022: approximately 0.5%), mainly attributable to the following factors:

(i) the revenue decreased by approximately 21.9% to HK$165.5 million (six months ended 30 June 2022: approximately HK$212.1 million), mainly attributable to the decrease in sales orders of all types of printing products from overseas and domestic sales clients. The decrease in sales orders was mainly because (a) the inventories level of some of our customers were still high and more time were needed for them to consume the excess inventories; and (b) the sales of our customers decreased due to the poor global economic environment, resulting in a lower consumption rate in both the overseas and domestic markets;

(ii) the decrease in exchange gain of approximately HK$6.1 million, mainly due to the further depreciation of the Renminbi ("**RMB**") during the Period;

(iii) the ratio of total staff costs and other related expenses to sales increased for the Period by approximately 7.1% as compared with the same period last year. Although the total staff costs of this segment decreased by approximately 7.6% as compared with the same period last year by way of various cost saving plans, the significant drop in revenue pushed up the ratio of total staff costs to sales for the Period;

(iv) an impairment loss on the plant and equipment of this segment of approximately HK$18.5 million (six months ended 30 June 2022: Nil) was recognized in the cost of sales. More details of the impairment loss were stated in note 10 to this announcement; and

(v) combining the negative impact of (iii) and (iv) as stated above, the increase in average material consumption rate has further lowered the gross profit margin of this segment during the Period.

The recovery of the global economy is expected to continue to slow down for the second half of 2023. The desire and the purchasing power of customers of all types of products are expected to be further suppressed due to the sluggish economy. Together with the prolonged political and economic tensions between the PRC and other countries and the war between Russia and Ukraine, the uncertainties of the global economy may further intensify. All of these factors have a negative impact on both overseas and domestic sales of the printing products in the second half of 2023.

To tackle these uncertainties and difficulties and to enhance the production efficiency and increase the overall competitive power of our products, the Group is taking various actions to reduce its operating costs, strengthen its sourcing ability and streamline the operation flow. In addition, the Group is adjusting its sales strategies and taking actions to get more sales orders from its existing and potential customers to the largest extent. Furthermore, to ensure proper credit control on receivables, the Group will closely monitor the collection of receivables and be cautious of any risks of bad debts from our customers.

Music and Entertainment Business

The segment revenue for the Period decreased by 8.0% to approximately HK$1.4 million (six months ended 30 June 2022: approximately HK$1.5 million) while the loss for the Period was approximately HK$1.4 million (six months ended 30 June 2022: loss of approximately HK$728,000).

During the Period, the decrease in revenue was mainly due to the decrease in sales of physical albums. The increase in segment loss was mainly attributable to the increase in staff costs which was in line with the business expansion strategy of this segment.

Looking forward, after the relaxation of all travel restrictions and epidemic prevention measures among countries by the end of 2022, the Group will be allocating more resources to explore investment opportunities in potential projects in the PRC and overseas to further expand the Music and Entertainment Business.

Property Development Business

The Group had two property development projects as at 30 June 2023 (30 June 2022: two). During the Period, these two projects were carried out by 清遠市中清房地產開發有限公司 (unofficial English name: Qingyuan Zhongqing Property Development Company Limited) ("**Zhongqing**"), a non-wholly owned subsidiary of the Company, and 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.

Zhongqing

Zhongqing held the land use rights 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 name: Shenzhen Zhongxing Guosheng Investment Development Company Limited) ("**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, according 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 in Qingyuan, the PRC (the "**Qingyuan Land**") 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 from the Court of Baoan (the "**Mediation Document**"), 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 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 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 Mediation Document was 15 October 2014 and thus, the deadline for the repayment by Zhongqing was 30 October 2014. Zhongqing did not repay the outstanding shareholder's loan and accrued interest to Zhongxing Guosheng by 30 October 2014.

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 commenced from 13 June 2016 and ended on 12 June 2019. The period covered by the Freeze Order was further extended to 12 May 2022 by the Court of Baoan on 15 May 2019 and was further extended to 12 May 2025 on 14 April 2022.

During the year ended 31 December 2022, after assessing the market condition of Qingyuan City, the government policies and recent development projects, as well as the professional expertise and financial resources of the Group, the Board considered that it was time to commence the compulsory enforcement proceedings against Zhongqing to put the Qingyuan Land for sales in the auction (the "**Compulsory Enforcement**"). More details of the Compulsory Enforcement were disclosed in the circular of the Company dated 24 June 2022. The shareholders of the Company (the "**Shareholders**") has passed the resolution to approve the Compulsory Enforcement at the special general meeting held on 15 July 2022 and the Group submitted the application to the court of the PRC to commence the Compulsory Enforcement in July 2022. As at the date of this announcement, the court has completed all internal verification procedures regarding the Qingyuan Land with various relevant government departments in Qingyuan, but the auction progress is not yet commenced. The Company will provide further update to the Shareholders as and when appropriate.

Zhongda Qingyuan

The Group, through Zhongda Qingyuan, owns a land parcel in Qingyuan, the PRC, with a total area of approximately 208,000 square metres ("**sq.m.**"), and is developing an industrial park (the "**Zhongxing Industrial Park**") with an array of industrial buildings, commercial buildings, apartments and dormitories. The buildings thereon are intended for lease or sales. The plan was approved by the Guangdong Qingyuan High-tech Industrial Development Zone Management Committee Office in March 2020 and was highly supported by the Qingyuan government.

Construction status:

The first phase of development of the Zhongxing Industrial Park consists of 20 industrial buildings, with a total gross floor area of approximately 133,000 sq.m. As at 30 June 2023, approximately 74% of the construction work of the first phase of development was completed according to the supervision report prepared by an independent construction company engaged by Zhongda Qingyuan. Up to the date of this announcement, the construction work of 14 industrial buildings is completed and the final inspection by the independent supervisory company is expected to conclude in the second half of 2023. The main construction work of the remaining industrial buildings of the first phase of development will be postponed until Zhongda Qingyuan enters into further binding agreement(s) in relation to the same.

For the second phase of development of the Zhongxing Industrial Park, as at the date of this announcement, Zhongda Qingyuan has submitted the construction plans of one industrial building and one ancillary building to the relevant government departments for approval and has entered into two provisional sales and purchase agreements in relation to the same.

Sales status:

As at 30 June 2023, Zhongda Qingyuan has signed 10 binding agreements with purchasers regarding a total gross floor area of approximately 61,000 sq.m., approximately 47,000 sq.m. of which represented approximately 35% of the total gross floor area of the first phase of development. Subsequent to the Period and up to the date of this announcement, Zhongda Qingyuan has delivered one industrial building with a total gross floor area of approximately 6,200 sq.m. to the relevant purchaser and the revenue will be recognized in the second half of 2023. More industrial buildings are expected to be delivered in the second half of 2023.

Up to the date of this announcement, Zhongda Qinyuan has entered into several cooperation agreements with several banks in the PRC, pursuant to which Zhongda Qingyuan has agreed to provide transitional guarantees in respect of the repayment obligations of the purchasers under the mortgage loans which may be granted by these banks to the purchasers for the acquisition of the industrial buildings in the Zhongxing Industrial Park. Zhongda Qingyuan's guarantee obligation under the transitional guarantees shall be released upon the completion of the relevant mortgage registrations over the properties. It is the usual commercial practice in the real estate industry in the PRC that property developers shall provide a transitional guarantee in favour of the mortgage banks for the purchasers of properties which are still under development if the purchasers will settle the purchase price of the property partly by mortgage loans. As at 30 June 2023, the Group had contingent liabilities of approximately HK$95.5 million relating to the transitional guarantees given by Zhongda Qingyuan in favour of mortgage banks while the related property ownership certificates have not yet been issued.

Looking forward, the Group will continue to devote more resources in the sales and marketing activities of the Zhongxing Industrial Park, such as organizing more group and individual visiting tours for potential customers, and provide more sales incentives to the property agents to push up the sales. Subject to the sales progress, the Group will commence the construction work of the remaining buildings of the first phase and more buildings in the second phase of development when more provisional sales and purchase agreements are entered into to release the cash flow pressure of the Group.

During the Period, the Group had also been actively identifying potential property development and management projects in the PRC.

Property Investment Business

During the Period, the Property Investment Business included the leasing of several commercial units in Hong Kong and the PRC.

This business involved two properties of the Group as at 30 June 2023 and 2022. The first one was a commercial property situated in Yuen Long, Hong Kong (the "**Yuen Long Property**"). It was leased to an independent third party as at 30 June 2023, with rental income of approximately HK$900,000 (six months ended 30 June 2022: approximately HK$1.2 million) derived from the Yuen Long Property. The decrease in revenue arising from Yuen Long Property was mainly due to the accounting treatment for the rental concession granted to the tenant in 2022.

The second one was a commercial property situated in Beijing, the PRC (the "**Beijing Property**"). It was leased to an independent third party and the rental income was approximately HK$188,000 (six months ended 30 June 2022: approximately HK$221,000).

According to the Group's accounting policies, the Yuen Long Property and the Beijing Property were classified as investment properties and were carried at fair value as at 30 June 2023. A fair value gain of approximately HK$337,000 was recorded in "other gains and losses" during the Period (six months ended 30 June 2022: fair value loss of approximately HK$4.5 million). The fair value gain for the Period mainly arose from the Beijing Property.

The segment profit for the six months ended 30 June 2022 consisted of a gain on disposal of a subsidiary of approximately HK$76.4 million which owned an industrial building in Fanling, Hong Kong completed during the six months ended 30 June 2022.

On 1 August 2023, the Group entered into a new tenancy agreement with a connected person (having the meaning ascribed to it under the Listing Rules) for part of the Yuen Long Property to operate a karaoke outlet. More details were disclosed in the announcement of the Company dated 1 August 2023. Save as disclosed above, no significant change is expected for the Property Investment Business and the Group will continue to monitor the rental market condition in Hong Kong and the PRC and adjust its strategies, if necessary.

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 2023 amounted to approximately HK$39.5 million (31 December 2022: approximately HK$39.7 million) in total. During the Period, the Group recorded a fair value loss in investments of securities listed in Hong Kong of approximately HK$42,000 (six months ended 30 June 2022: approximately HK$2.2 million). No realized gain or loss was recorded during both the Period and six months ended 30 June 2022.

The Group's investments as at 30 June 2023 included securities of 10 companies listed on the Main Board or GEM of the Stock Exchange, 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 2023. The top five largest investments amounted to approximately HK$35.9 million, representing 3.1% of the Group's unaudited total assets as at 30 June 2023.

The largest investment is our 1.33% interest in the total share capital of Zhong Wei Capital L.P. ("**Zhong Wei**"), an offshore investment fund. Zhong Wei has invested in more than 20 entities, including public and private entities incorporated in Hong Kong and overseas. These entities are principally engaged in, including but not limited to, educational, entertainment, recreational, financial technological, healthcare and telecommunication sectors. Its fair value as at 30 June 2023 amounted to approximately HK$17.5 million, accounting for approximately 1.5% of the Group's unaudited total assets as at 30 June 2023.

The second to fifth largest investments were the investment in Wang On Group Limited (a company listed on the Main Board of the Stock Exchange with stock code 01222), Wang On Properties Limited (a company listed on the Main Board of the Stock Exchange with stock code 01243), China Agri-Products Exchange Limited (a company listed on the Main Board of the Stock Exchange with stock code 00149) and a private company incorporated in the PRC principally engaged in trading and entertainment business in the PRC.

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 upon subscription and adjust its investment strategy in a cautious manner as and when necessary to minimize the impact of market volatility.

Trading Business

Revenue from the Trading Business increased to approximately HK$14.1 million (six months ended 30 June 2022: approximately HK$13.5 million) while a segment loss of approximately HK$93,000 was recorded during the Period (six months ended 30 June 2022: approximately HK$3.0 million). The decrease in segment loss during the Period was mainly attributable to: (i) the increase in revenue derived from overseas customers with higher profit margin; (ii) the increase in gross profit margin by 2.4% for the revenue derived from Hong Kong; and (iii) the decrease in overall operating costs as a result of the adoption of cost saving plans.

The Group will continue to increase its financial resources to recruit more talents to expand the Trading Business in Hong Kong and overseas and provide more value-added services to its existing and target customers.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2023, the Group had cash and cash equivalents, pledged bank deposits and short-term bank deposits of approximately HK$228.9 million (31 December 2022: approximately HK$200.9 million). The current ratio stood at 2.2 times (31 December 2022: 3.0 times) and the quick ratio was 1.1 times as at 30 June 2023 (31 December 2022: 1.6 times).

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

The 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.

The current ratio and the quick ratio as at 30 June 2023 were lower as compared with the respective figures as at 31 December 2022, which was mainly attributable to the increase in contract liabilities of approximately HK$121.7 million which included the deposit received from the customers of the Property Development Business of approximately HK$125.2 million.

As at 30 June 2023, total borrowings of the Group amounted to approximately HK$160.4 million (31 December 2022: approximately HK$195.9 million). The gearing ratio was 22.4% as at 30 June 2023 (31 December 2022: 24.9%), which was calculated by dividing the Group's total borrowings by the Group's total equity of approximately HK$714.9 million as at 30 June 2023 (31 December 2022: approximately HK$788.1 million) then multiplying the value by 100%. The increase in gearing ratio was mainly due to the decrease in bank borrowings and total equity of the Group.

The Group's total borrowings included: (i) an amount of approximately HK$16.2 million due to a non-controlling shareholder of a subsidiary (31 December 2022: approximately HK$17.0 million); (ii) secured bank borrowings of approximately HK$86.0 million (31 December 2022: approximately HK$111.2 million); and (iii) lease liabilities of approximately HK$58.2 million (31 December 2022: approximately HK$67.7 million). Secured bank borrowings included (i) an amount of approximately HK$17.4 million (31 December 2022: approximately HK$18.1 million) payable within seven years and carried interests at the Hong Kong Inter-bank Offered Rate plus 1.85% per annum; (ii) an amount of approximately HK$58.1 million (31 December 2022: approximately HK$50.1 million) payable within one year and carried interest at the Hong Kong Inter-bank Offered Rate plus 1.25% to 2.5% per annum; and (iii) an amount of approximately HK$10.5 million (31 December 2022: approximately HK$43.0 million) payable within three years and carried interests at 5.98%. 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 RMB and the majority of the cash and cash equivalents was denominated in RMB, HK dollars and United States dollars ("**US dollars**") respectively.

The Group generally finances its operation with cash flows generated internally, bank borrowing and banking facilities obtained in Hong Kong and the PRC. Taking into account the anticipated amount of the funds generated internally and the available bank borrowing and 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 RMB, HK dollars and US dollars, respectively. Except for RMB, 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 RMB and identify potential and significant adverse impacts (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 purposes during the Period and did not have any outstanding hedging instrument as at 30 June 2023.

CAPITAL EXPENDITURE

During the Period, the Group's capital expenditure for property, plant and equipment and properties under development for sale amounted to approximately HK$37.3 million (six months ended 30 June 2022: approximately HK$84.4 million). The capital expenditure was mainly attributable to the acquisitions of machinery for production in the PRC and the construction work of the Zhongxing Industrial Park.

CAPITAL COMMITMENTS

As at 30 June 2023, the Group had capital commitments of approximately HK$137.0 million (31 December 2022: approximately HK$177.2 million) which had been contracted for but had not been provided in the financial statements for the acquisition of property, plant and equipment and properties under development for sales. The Group did not have any capital commitment for the acquisition of property, plant and equipment and properties under development for sales that had been authorised but not contracted for in both periods. The Group expects to finance its capital commitments with internal resources and external bank borrowing.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group had contingent liabilities of approximately HK$95.5 million in respect of the transitional guarantees provided by Zhongda Qingyuan in favour of the mortgage banks for the purchasers of the industrial buildings of the Zhongxing Industrial Park (31 December 2022: Nil).

PLEDGE OF ASSETS

As at 30 June 2023, the Group had pledged bank deposits, investment properties and properties under development for sales with an aggregate carrying value of approximately HK$464.8 million (31 December 2022: approximately HK$442.3 million) to secure the construction loan of the Zhongxing Industrial Park and the related cooperation agreements signed with banks in relation to the mortgage loans granted to the property purchasers, the mortgage loan for certain investment properties and the general banking facilities and bank loan granted to the Group. Save as aforesaid, no other asset was pledged by the Group as at 30 June 2023.

SHARE CAPITAL AND CAPITAL STRUCTURE

During the Period, the Company cancelled 280,000 shares of the Company which were repurchased by the Company during the year ended 31 December 2022. As at 30 June 2023, the Company had 253,359,456 ordinary shares of HK$0.01 each in issue.

No shares of the Company were issued during the Period.

HUMAN RESOURCES

As at 30 June 2023, the Group had approximately 1,130 employees (31 December 2022: approximately 1,190). Total amounts of staff costs (including Directors' remuneration) for the Period were approximately HK$87.2 million (six months ended 30 June 2022: approximately HK$90.0 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 staff members are generally reviewed on an annual basis according to the performance of the Group and respective staff members. 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

Save as disclosed below, there have been no significant events since the end of the Period and up to the date of this announcement.

Provision of transitional guarantee(s)

On 5 June 2023, Zhongda Qingyuan entered into two cooperation agreements (the "**Cooperation Agreements**") with the Qingyuan Branch of Industrial and Commercial Bank of China Ltd. ("**ICBC**") and the Guangzhou Branch of China Zheshang Bank Co., Ltd. ("**CZBank**", together with the ICBC, the "**Lending Banks**"), pursuant to which Zhongda Qingyuan agreed to provide transitional guarantee(s) in respect of the repayment obligations of the purchaser(s) who/which will apply for mortgage loan(s) from one of the Lending Banks to fund the acquisition of the industrial buildings in the Zhongxing Industrial Park. The provision of the transitional guarantee(s) under each of the Cooperation Agreements constitutes a major transaction for the Company. At a special general meeting of the Company held on 11 August 2023, the Cooperation Agreements were approved by the Shareholders. Please refer to the announcements of the Company dated 5 June 2023 and 11 August 2023 and the circular of the Company dated 25 July 2023 for further details of the Cooperation Agreements.

Entering into of a tenancy agreement with a connected person

As stated above, on 1 August 2023, Supreme Cycle Inc. (the "**Landlord**"), being a wholly-owned subsidiary of the Company, and Paco Corporation Limited (the "**Tenant**") entered into a tenancy agreement (the "**Tenancy Agreement**"), pursuant to which the Landlord agreed to lease part of the Yuen Long Property to the Tenant for a term of three years from 1 August 2023 to 31 July 2026 (both days inclusive). The monthly rent receivable by the Landlord is HK$262,400 exclusive of Government rent, rates, management fee, air-conditioning charges (if any) and all other outgoings. The Tenant is ultimately wholly-owned by Dr. Suek Chai Kit Christopher ("**Dr. Suek**"), who is a merchant and is the father of Mr. Suek Ka Lun, Ernie and the brother of Mr. Suek Chai Hong, both are executive Directors. Dr. Suek is also the brother-in-law of Dr. Ng Wai Kwan, a non-executive Director. By virtue of the above, the Tenant is a connected person of the Company and the entering into of the Tenancy Agreement between the Landlord and the Tenant constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 1 August 2023 for further details of the Tenancy Agreement.

RESIGNATION OF AN INDEPENDENT NON-EXECUTIVE DIRECTOR AND NON-COMPLIANCE WITH RULES 3.10(1), 3.10A, 3.21 AND 3.25 OF THE LISTING RULES

Mr. Lai Sai Wo, Ricky ("**Mr. Lai**") had tendered his resignation as (i) an independent non-executive Director; (ii) a member of the audit committee of the Board ("**Audit Committee**"); and (iii) a member of the remuneration committee of the Board ("**Remuneration Committee**") with effect from 30 June 2023. Pursuant to Rules 3.10(1) and 3.10A of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors and the number of independent non-executive directors must represent at least one-third of the board. Following the resignation of Mr. Lai and as at the date of this announcement, the Board comprises seven members, including two executive Directors, three non-executive Directors and two independent non-executive Directors, which is non-compliant with Rules 3.10(1) and 3.10A of the Listing Rules.

In addition, pursuant to Rule 3.21 of the Listing Rules, the audit committee of every listed issuer must comprise a minimum of three members and the majority of its members must be independent non-executive directors. Following the resignation of Mr. Lai, the number of members of the Audit Committee has reduced from three to two and it now comprises one independent non-executive Director and one non-executive Director. These result in non-compliance with Rule 3.21 of the Listing Rules.

As Mr. Lai was also a member of the Remuneration Committee, following his resignation, the number of members of the Remuneration Committee has reduced from three to two and it now comprises one independent non-executive Director and one non-executive Director. As a result, the Board is unable to fulfil the requirement of having a majority of independent non-executive directors in the Remuneration Committee as prescribed under Rule 3.25 of the Listing Rules.

The Company will use its best endeavour to identify suitable candidate to fill the aforementioned vacancies as soon as practicable, and in any event within three months from 30 June 2023 in compliance with Rules 3.11, 3.23 and 3.27 of the Listing Rules. The Company will make further announcement as and when appropriate.

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 Listing Rules as its own 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 employees who are likely to be in possession of unpublished inside information of the Group.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee comprises one non-executive Director and one independent non-executive Director and they have 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, the Company has complied with all the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Part 2 of Appendix 14 to the Listing Rules throughout the Period.

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.newaygroup.com.hk in September 2023.

On behalf of the Board
Neway Group Holdings Limited
Suek Ka Lun, Ernie
Chairman

Hong Kong, 28 August 2023

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; and Mr. Lee Kwok Wan and Mr. Chu Gun Pui being the independent non-executive Directors.