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NEWAY GROUP HOLDINGS LIMITED

中星集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00055)

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 2024 (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 2024

	<i>NOTE</i>	Six months ended	
		30.6.2024	30.6.2023
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue			
Revenue from goods and services	3	193,008	181,070
Rental income		3,827	1,090
Interest income from lending business		2,362	2,954
Total revenue		199,197	185,114
Cost of sales		(155,729)	(178,617)

* *For identification purpose only*

	<i>NOTES</i>	Six months ended	
		30.6.2024	30.6.2023
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Gross profit		43,468	6,497
Interest income		3,404	2,855
Other income		2,725	677
Selling and distribution expenses		(12,677)	(16,341)
Administrative and other expenses		(57,078)	(61,014)
Other gains and losses, net	7	(16,220)	1,596
Net (impairment losses) reversal of impairment losses on financial assets and contract assets		(8)	100
Finance costs	5	(3,148)	(3,263)
Loss before taxation		(39,534)	(68,893)
Taxation (charge) credit	6	(575)	11,548
Loss for the period	7	(40,109)	(57,345)
Other comprehensive expense:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(8,380)	(15,863)
Total comprehensive expense for the period		(48,489)	(73,208)

	<i>NOTE</i>	Six months ended	
		30.6.2024	30.6.2023
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company		(40,056)	(57,287)
Loss for the period attributable to non-controlling interests		<u>(53)</u>	<u>(58)</u>
		<u>(40,109)</u>	<u>(57,345)</u>
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(48,436)	(73,322)
Non-controlling interests		<u>(53)</u>	<u>114</u>
		<u>(48,489)</u>	<u>(73,208)</u>
Loss per share	9		
Basic (<i>HK cents</i>)		<u>(15.8)</u>	<u>(22.6)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024

	NOTES	30.6.2024 HK\$'000 (Unaudited)	31.12.2023 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	136,695	154,585
Investment properties	10	147,614	162,019
Equity instruments at fair value through other comprehensive income (“FVTOCI”)	12	22,119	22,193
Club membership		3,404	3,404
Prepayments and deposits	13	1,255	4,396
Interests in joint ventures		389	389
Loans receivable		2,058	17,934
Deposit paid for acquisition of property, plant and equipment		–	149
Deferred tax assets		12,616	12,662
		<u>326,150</u>	<u>377,731</u>
Current assets			
Inventories		24,335	25,135
Properties under development for sale/properties for sale	11	333,346	258,459
Financial assets at fair value through profit or loss (“FVTPL”)	12	12,088	15,771
Trade and other receivables, prepayments and deposits	13	154,631	138,847
Contract assets		25,077	26,334
Loans receivable		35,690	29,811
Pledged bank deposits		74,761	76,275
Short-term bank deposits		20,833	20,297
Cash and cash equivalents		120,175	99,494
		<u>800,936</u>	<u>690,423</u>

	<i>NOTES</i>	30.6.2024 HK\$'000 (Unaudited)	31.12.2023 <i>HK\$'000</i> (Audited)
Current liabilities			
Trade and other payables and accruals	14	168,669	124,686
Lease liabilities		9,936	12,533
Contract liabilities	15	78,834	35,938
Tax liabilities		6,223	6,701
Amount due to a non-controlling shareholder of a subsidiary	14	16,110	16,499
Bank borrowings		87,996	70,339
		<u>367,768</u>	<u>266,696</u>
Net current assets		<u>433,168</u>	<u>423,727</u>
Total assets less current liabilities		<u>759,318</u>	<u>801,458</u>
Non-current liabilities			
Lease liabilities		36,990	40,840
Bank borrowings		33,419	23,210
Deferred tax liabilities		14,596	14,606
		<u>85,005</u>	<u>78,656</u>
Net assets		<u>674,313</u>	<u>722,802</u>
Capital and reserves			
Share capital		2,533	2,533
Reserves		<u>675,670</u>	<u>724,106</u>
Total attributable to owners of the Company		678,203	726,639
Non-controlling interests		<u>(3,890)</u>	<u>(3,837)</u>
Total equity		<u>674,313</u>	<u>722,802</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Attributable to owners of the Company											Total HK\$'000
	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 (accumulated losses) HK\$'000	Sub- total HK\$'000	Non- controlling interests HK\$'000	
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
At 1 January 2024 (audited)	2,533	368,851	188,957	63	103,571	92,137	(22,986)	(14,053)	7,566	726,639	(3,837)	722,802
Loss for the period	-	-	-	-	-	-	-	-	(40,056)	(40,056)	(53)	(40,109)
Other comprehensive expense												
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(8,380)	-	(8,380)	-	(8,380)
Total comprehensive expense for the period	-	-	-	-	-	-	-	(8,380)	(40,056)	(48,436)	(53)	(48,489)
At 30 June 2024 (unaudited)	2,533	368,851	188,957	63	103,571	92,137	(22,986)	(22,433)	(32,490)	678,203	(3,890)	674,313

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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 D2 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 2024 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2023.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following 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 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the 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.

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	
	30.6.2024	30.6.2023
	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	<u>177,671</u>	<u>165,539</u>
Music and Entertainment Business*		
– Income from the licensing of the musical works	1,408	1,132
– Sales of albums	217	276
– Others	<u>189</u>	<u>–</u>
	<u>1,814</u>	<u>1,408</u>
Trading Business*		
– Sales of printing and other products	<u>13,523</u>	<u>14,123</u>
	<u>193,008</u>	<u>181,070</u>

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

	Six months ended	
	30.6.2024	30.6.2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Geographical markets:		
Hong Kong	70,384	68,965
The People's Republic of China ("PRC")	88,989	88,442
Europe	12,421	5,569
United States	20,108	16,225
Others	1,106	1,869
	193,008	181,070

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	
	30.6.2024	30.6.2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Timing of revenue recognition:		
Over time	177,671	165,539
A point in time	15,337	15,531
	193,008	181,070

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 and concert and event management and investment ("**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	
	30.6.2024	30.6.2023	30.6.2024	30.6.2023
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Lending Business	2,362	2,954	1,266	1,861
Manufacturing and Sales Business	177,671	165,539	(8,617)	(50,246)
Music and Entertainment Business	1,814	1,408	(1,409)	(1,397)
Property Development Business	–	–	(6,977)	(6,356)
Property Investment Business	3,827	1,090	(12,193)	(2,641)
Securities Trading Business	–	–	(3,835)	(285)
Trading Business	13,523	14,123	(410)	(93)
Total	<u>199,197</u>	<u>185,114</u>	<u>(32,175)</u>	<u>(59,157)</u>
Bank interest income			3,404	2,855
Unallocated other income and other gains and losses, net			1,132	184
Unallocated corporate expenses			<u>(11,895)</u>	<u>(12,775)</u>
Loss before taxation			<u>(39,534)</u>	<u>(68,893)</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, 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:

	30.6.2024	31.12.2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Segment assets		
Lending Business	37,772	47,822
Manufacturing and Sales Business	289,956	305,030
Music and Entertainment Business	6,300	5,749
Property Investment Business	148,173	162,400
Property Development Business	364,111	280,054
Securities Trading Business	12,325	16,459
Trading Business	13,526	16,442
	<hr/>	<hr/>
Total segment assets	872,163	833,956
Other assets	254,923	234,198
	<hr/>	<hr/>
Consolidated assets	<u>1,127,086</u>	<u>1,068,154</u>
	30.6.2024	31.12.2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Segment liabilities		
Lending Business	478	487
Manufacturing and Sales Business	191,496	180,620
Music and Entertainment Business	4,922	5,463
Property Investment Business	17,056	17,704
Property Development Business	208,017	108,142
Securities Trading Business	50	56
Trading Business	10,119	10,321
	<hr/>	<hr/>
Total segment liabilities	432,138	322,793
Other liabilities	20,635	22,559
	<hr/>	<hr/>
Consolidated liabilities	<u>452,773</u>	<u>345,352</u>

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	
	30.6.2024	30.6.2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on:		
Lease liabilities	946	1,124
Bank borrowings	<u>2,202</u>	<u>2,139</u>
	<u>3,148</u>	<u>3,263</u>

6. TAXATION (CHARGE) CREDIT

	Six months ended	
	30.6.2024	30.6.2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
The taxation charge comprises:		
PRC Enterprise Income Tax charge for the period	(575)	(166)
Deferred tax credit	<u>–</u>	<u>11,714</u>
Taxation (charge) credit	<u>(575)</u>	<u>11,548</u>

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%.

7. LOSS FOR THE PERIOD

	Six months ended	
	30.6.2024	30.6.2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging (crediting):		
Depreciation of right-of-use assets	6,477	6,649
Depreciation of other property, plant and equipment	9,317	10,679
Depreciation of property, plant and equipment	15,794	17,328
Write-down of inventories (included in cost of sales)	–	64
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	(147)	(1,301)
Decrease in fair value in financial assets at FVTPL	3,683	42
Decrease (increase) in fair value in investment properties	12,684	(337)
	16,220	(1,596)

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

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

	Six months ended	
	30.6.2024	30.6.2023
	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>(40,056)</u>	<u>(57,287)</u>
	Six months ended	
	30.6.2024	30.6.2023
	(Unaudited)	(Unaudited)
Number of shares		
Number of shares in issue for the purpose of calculating basic loss per share	<u>253,359,456</u>	<u>253,359,456</u>

No diluted loss 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 2024, the Group acquired property, plant and equipment of approximately HK\$546,000 (six months ended 30 June 2023: approximately HK\$1,300,000).

Investment properties

The fair value of investment properties as at 30 June 2024 and 31 December 2023 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 decrease in fair value of approximately HK\$12,684,000 (six months ended 30 June 2023: increase in fair value of approximately HK\$337,000) of investment properties has been recognised directly in profit or loss for the six months ended 30 June 2024. The decrease is resulted from the decrease in the market rental transactions of comparable properties.

As at 30 June 2024, investment properties with an aggregate carrying value of HK\$76,300,000 (31 December 2023: approximately HK\$89,200,000) were pledged to banks to secure bank borrowings and general banking facilities granted to the Group.

11. PROPERTIES UNDER DEVELOPMENT FOR SALE/PROPERTIES FOR SALE

	30.06.2024 HK\$'000	31.12.2023 HK\$'000
Properties under development for sale	230,041	154,529
Properties for sale	<u>103,305</u>	<u>103,930</u>
	<u><u>333,346</u></u>	<u><u>258,459</u></u>

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

Properties under development for sale include a land in the PRC owned by 清遠市中清房地產開發有限公司 (“**Zhongqing**”), a non-wholly-owned subsidiary of the Company, with the carrying amount of approximately HK\$36,251,000 (31 December 2023: HK\$37,123,000).

On 18 June 2014, 深圳市中星國盛投資發展有限公司 (“**Zhongxing Guosheng**”), a wholly-owned subsidiary of the Company and the immediate holding company of Zhongqing, initiated civil proceedings against Zhongqing in the 深圳市寶安區人民法院 (“**People’s Court of Baoan District**”) for the repayment of the shareholder’s loan owing to Zhongxing Guosheng of RMB23,479,330. On 19 June 2014, pursuant to an application made by Zhongxing Guosheng to freeze and preserve assets of Zhongqing in the total value of RMB23,400,000, an order was granted by the People’s Court of Baoan District to freeze and preserve the lands owned by Zhongqing (the “**Land**”) during the period from 24 June 2014 to 23 June 2016 (“**Freeze Order**”).

On 15 October 2014, the Group received the civil mediation document (民事調解書) issued by the People’s Court of Baoan District that (i) both Zhongqing and the Group confirmed the shareholder’s loan was in 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 date of repayment within 15 days after the effective date of the civil mediation document (i.e. 15 October 2014); and (iii) if Zhongqing fails to repay the amount stated in (ii) in full on time, the Group has the right 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.

On 27 May 2016, the Group received the assistance execution notice (協助執行通知書) issued by the People’s Court of Baoan District to freeze and preserve the Land during the period from 13 June 2016 to 12 June 2019.

On 15 May 2019, the Group received the notice of seizure period (查封期限通知書) issued by the People's Court of Baoan District to freeze and preserve the Land during the period from 13 May 2019 to 12 May 2022 (the “**Updated Freeze Order**”). The period covered by the Updated Freeze Order was further extended to 12 May 2025 by the People's Court of Baoan District on 14 April 2022.

On 11 March 2022, the Company announced the intention to apply to the People's Court of Baoan District for the commencement of the compulsory enforcement proceedings against Zhongqing to put the Land for sale in the judicial auction (the “**Compulsory Enforcement**”) through the Online Auction Platform as decided by the People's Court of Baoan District for the sale of the land use rights of the Land (the “**Auction**”) in order to settle the shareholder's loan. The Auction will be opened to the public. In view of the potential development value of the Land, in the event that there are other bidders in any round of the Auction, the Group intends to participate in the Auction through another subsidiary of the Group. The maximum amount which the Group is prepared to bid at the Auction is RMB30,700,000 (equivalent to HK\$38,068,000) (the “**Ceiling**”). If the Auction lapses for absence of bidder, pursuant to the relevant PRC laws and regulations, Zhongxing Guosheng as the applicant of the Compulsory Enforcement will have the right to take over the Land to set off against the shareholder's loan with the amount equivalent to the initial bid price prevailing at the second auction as stipulated under the relevant PRC laws and regulations.

In the event that a bidder other than the Group offers a price higher than the Ceiling, the Group will not participate in the Auction. In such circumstances, Zhongqing, which is a non-wholly owned subsidiary of the Company, will then be obliged to sell the Land to the bidder who offers the highest price in the Auction and the sale will constitute a disposal transaction of the Group.

On 15 July 2022, the Compulsory Enforcement was approved by the shareholders' of the Company and the Group submitted the application to the People's Court of Baoan District to commence the Compulsory Enforcement in July 2022.

As at 30 June 2024, the People's Court of Baoan District has completed all internal verification procedures with various relevant government departments in Qingyuan regarding the Land, but the auction progress is not yet commenced.

Properties under development for sale/properties for sale with aggregate carrying value of approximately HK\$82,121,000 (31 December 2023: HK\$221,336,000) have been pledged to a PRC bank to secure bank borrowings granted to the Group.

12. EQUITY INSTRUMENTS AT FVTOCI/FINANCIAL ASSETS AT FVTPL

Equity instruments at FVTOCI

	30.6.2024 <i>HK\$'000</i> (Unaudited)	31.12.2023 <i>HK\$'000</i> (Audited)
Unlisted equity securities established in Hong Kong, the PRC and overseas (<i>note</i>)	<u>22,119</u>	<u>22,193</u>

Note: As at 30 June 2024 and 31 December 2023, 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

	30.6.2024 <i>HK\$'000</i> (Unaudited)	31.12.2023 <i>HK\$'000</i> (Audited)
Listed equity investments in Hong Kong	<u>12,088</u>	<u>15,771</u>

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.

	30.6.2024 <i>HK\$'000</i> (Unaudited)	31.12.2023 <i>HK\$'000</i> (Audited)
Manufacturing and Sales Business and Trading Business:		
0 – 30 days	75,776	50,287
31 – 60 days	18,390	19,316
61 – 90 days	7,880	11,167
Over 90 days	6,537	6,589
	<u>108,583</u>	<u>87,359</u>
Music and Entertainment Business:		
0 – 30 days	20	405
31 – 60 days	7	2
Over 90 days	11	7
	<u>38</u>	<u>414</u>
Property development business:		
0 – 30 days	–	17,853
Total trade receivables	108,621	105,626
Receivables with brokers' houses	199	668
Deposits and other receivables	9,009	8,406
Other tax recoverable	25,754	18,571
Prepayments	12,303	9,972
	<u>155,886</u>	<u>143,243</u>
Analysed for reporting purposes as:		
Current assets	154,631	138,847
Non-current assets	1,255	4,396
	<u>155,886</u>	<u>143,243</u>

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:

	30.6.2024 <i>HK\$'000</i> (Unaudited)	31.12.2023 <i>HK\$'000</i> (Audited)
0 – 30 days	46,308	45,980
31 – 60 days	10,990	6,864
61 – 90 days	3,545	2,698
Over 90 days	1,860	1,990
	62,703	57,532
Accrued construction costs for properties under development for sale	78,591	34,463
Accrued expenses and other payables	27,375	32,691
	168,669	124,686

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

15. CONTRACT LIABILITIES

	<i>Notes</i>	30.6.2024 <i>HK\$'000</i> (Unaudited)	31.12.2023 <i>HK\$'000</i> (Audited)
Contract liabilities from Trading Business	(i)	471	320
Contract liabilities from Music and Entertainment Business	(ii)	401	1,172
Contract liabilities from Manufacturing and Sales Business	(iii)	3,806	5,022
Contract liabilities from Property Development Business	(iv)	74,156	29,424
		78,834	35,938

Notes:

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:

- (i) 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.
- (ii) 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.
- (iii) 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.
- (iv) When the Group generally receives a 20% to 30% as 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. During the six months ended 30 June 2024, the Group commenced the pre-sales for the properties under development for sale as disclosed in note 11 and therefore certain deposits were received from the customers in respect of the sales and purchase agreements signed as at 30 June 2024.

16. FINANCIAL GUARANTEES

During the six months ended 30 June 2024, 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 2024, the guarantees given to banks by the Group in respect of the mortgage loans granted to property purchasers amounted to approximately HK\$130,727,000 (31 December 2023: HK\$133,891,000) and the pledged bank deposits paid to the banks amounted to approximately HK\$14,761,000 (31 December 2023: HK\$16,275,000).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (six months ended 30 June 2023: Nil).

REVIEW OF OVERALL FINANCIAL RESULTS

For the Period, revenue of the Group amounted to approximately HK\$199.2 million (six months ended 30 June 2023: approximately HK\$185.1 million), representing an increase of approximately 7.6% as compared with the six months ended 30 June 2023.

Gross profit for the Period amounted to approximately HK\$43.5 million (six months ended 30 June 2023: approximately HK\$6.5 million), representing an increase in gross profit margin of approximately 18.3 percentage points to approximately 21.8% for the Period (six months ended 30 June 2023: approximately 3.5%).

Loss for the Period amounted to approximately HK\$40.1 million (six months ended 30 June 2023: approximately HK\$57.3 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\$8.6 million (six months ended 30 June 2023: approximately HK\$50.2 million); (ii) a segment loss recorded in the Property Development Business of approximately HK\$7.0 million (six months ended 30 June 2023: approximately HK\$6.4 million); and (iii) a segment loss recorded in the Property Investment Business of approximately HK\$12.2 million (six months ended 30 June 2023: approximately HK\$2.6 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 Lenders 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 (the “**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 creditworthiness 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 2024, the Group has taken legal actions against several borrowers of loans receivables with the principal amount of approximately HK\$31.7 million, of which an impairment loss of approximately HK\$26.8 million has been provided in previous financial years. The legal actions are in progress and the Board will provide further update to the shareholders of the Company (the “**Shareholders**”) as and when appropriate.

As at 30 June 2024, the Lending Business had 15 customers. The total amount of new loans granted during the Period was HK\$700,000, and the average interest rate of the Group’s loan portfolio was approximately 15%. During the Period, the interest income from loans decreased by approximately 20.0% to approximately HK\$2.4 million (six months ended 30 June 2023: approximately HK\$3.0 million). The decrease in loan interest income was mainly attributable to the decrease in loan portfolio during the Period. The segment profit decreased by approximately 32.0% to approximately HK\$1.3 million (six months ended 30 June 2023: approximately HK\$1.9 million) due to the decrease in loan interest income during the Period.

As at 30 June 2024, the loans receivables had contractual maturity within one to ten years (30 June 2023: one to ten years), details of which are follows:

	<i>HK\$’000</i>
Within one year	35,690
Within a period of more than one year but not more than two years	788
Within a period of more than two years but not more than five years	1,114
Within a period of more than five years	<div style="border-top: 1px solid black; display: inline-block; width: 100px;"></div> 156
	<div style="border-top: 3px double black; display: inline-block; width: 100px;"></div> 37,748

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 revenue increased by approximately 7.3% to HK\$177.7 million (six months ended 30 June 2023: approximately HK\$165.5 million), which was mainly attributable to the increase in sales orders of packaging and label products from overseas and domestic sales clients. The increase in sales orders was mainly due to the fact that (i) more sales orders were placed by new customers during the Period; and (b) some of our customers launched their new products during the Period which were postponed from last year.

The segment loss margin of the Manufacturing and Sales Business for the Period was approximately 4.9% (six months ended 30 June 2023: approximately 30.4%), the decrease in segment loss margin was mainly attributable to the following factors:

- (i) the gross profit margin increased by 19.8% to approximately 17.9% for the Period (six months ended 30 June 2023: gross loss of approximately 1.9%). The increase in gross profit margin was mainly due to (a) no impairment loss on the plant and equipment of this segment has been recognised during the Period (six months ended 30 June 2023: approximately HK\$18.5 million); (b) the decrease in material consumption rate of approximately 2.7% as compared with the same period last year; and (c) the decrease in total manufacturing staff costs and other related expenses of approximately 12.1% as compared with the same period last year due to various cost saving plans adopted since the second half of 2023; and
- (ii) the decrease in selling and administrative staff costs and other related expenses of approximately 17.7% as compared with the same period last year due to various cost saving plans adopted since the second half of 2023.

Looking forward, it is expected that this business will be faced by multiple challenges and opportunities as the global market continues to be shadowed by the economic and political uncertainties, especially the intensified tensions between the PRC and other countries which will continue to shift the production of products from the PRC to other countries and will negatively affect the export sales of the printing products. On the other side, the increasing awareness of sustainability shall create more business opportunities, especially for those environmentally friendly products and printing solutions, from overseas and domestic customers of this business.

To tackle these uncertainties and capture the opportunities of this business, the Group is taking various actions to enhance the production efficiency and increase the overall competitiveness of our products, including but not limited to reducing the overall operating costs, strengthening its sourcing ability, especially for the environmentally friendly materials, and streamlining the operation flow to reduce the operation and production wastage. In addition, the Group will carefully revise its sales strategies and take actions to secure 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, be cautious of any risks of bad debts from our customers and spare sufficient cash flows to cope with any sudden or prolonged adverse situation beyond its expectation and seize any opportunities in the future.

Music and Entertainment Business

The segment revenue for the Period increased by approximately 28.8% to approximately HK\$1.8 million (six months ended 30 June 2023: approximately HK\$1.4 million), while the loss for the Period was approximately HK\$1.4 million (six months ended 30 June 2023: loss of approximately HK\$1.4 million).

During the Period, the increase in revenue was mainly due to the increase in licensing income of the musical works and income generated from organising events. The increase in segment loss was mainly attributable to the decrease in gross profit margin.

Looking forward, the Group will continue to allocate resources to expand the musical works licensing business and organize and invest in music shows overseas and in the Greater Bay Area of the PRC.

Property Development Business

The Group had two property development projects as at 30 June 2024 and 2023. 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.

After assessing the market condition of Qingyuan City, the government policies and recent development projects, as well as the professional experts 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**”). Further details of the Compulsory Enforcement were disclosed in the circular of the Company dated 24 June 2022. The Shareholders passed the resolution to approve the Compulsory Enforcement at the special general meeting of the Company 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. The court has completed all internal verification procedures regarding the Qingyuan Land with various relevant government departments in Qingyuan in Year 2023, but the auction progress is not yet commenced. The Company will closely monitor the market situation and commence the auction if considered appropriate. 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:

As at 30 June 2024, the total construction area of the Zhongxing Industrial Park was approximately 166,000 sq.m., of which approximately 61% of the construction work was completed and examined by an independent construction company engaged by Zhongda Qingyuan. The Group expected that an additional of approximately 16% of the construction work will be completed in 2024. The total construction area of approximately 166,000 sq.m. as mentioned above represents around 40% of the estimated total gross floor area of the Zhongxing Industrial Park. The Group expects the construction work of the remaining areas to commence in an orderly pace, if appropriate.

Sales status:

Zhongda Qingyuan has delivered several industrial buildings to purchasers and a revenue of approximately HK\$160 million was recognised during the year ended 31 December 2023, which represented approximately 55% of the total gross floor area of the industrial buildings, of which the construction work was completed.

As at 30 June 2024, Zhongda Qingyuan has signed several binding agreements with purchasers regarding a total gross floor area of approximately 42,000 sq.m. which consisted of industrial buildings and dormitories. No revenue was recognised during the Period. The Group expects to deliver several industrial buildings and dormitories with a total gross floor area of approximately 28,000 sq.m. in the second half of 2024.

Zhongda Qingyuan 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 and/or the receipt of the mortgage registration proofs by the banks. 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. The Group expects that some of the property ownership certificates will be issued by the government authority and the relevant mortgage registrations will be completed in the second half of 2024.

As at 30 June 2024, the Group had contingent liabilities of approximately HK\$130.7 million (31 December 2023: approximately HK\$133.9 million) relating to the transitional guarantees given by Zhongda Qingyuan in favour of the 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. Furthermore, the Group will introduce more retail shops, such as restaurants and supermarkets, in the Zhongxing Industrial Park to provide more services to the people who work there.

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 three properties of the Group as at 30 June 2024 (30 June 2023: two). The first one was a commercial property situated in Yuen Long, Hong Kong (the “**Yuen Long Property**”), which has been leased to a connected person (having the meaning ascribed to it under the Listing Rules) since 1 August 2023 to operate a karaoke outlet. The second one was a commercial property situated in Beijing, the PRC, which has been leased to an independent third party. The third one was a block of industrial building of the Group’s self-owned factory situated in Shenzhen, the PRC, which has been leased to an independent third party since December 2023. The total rental income arising from these properties was approximately HK\$3.8 million (30 June 2023: approximately HK\$1.1 million).

According to the Group’s accounting policies, all three properties were classified as investment properties and were carried at fair value as at 30 June 2024. A fair value loss of approximately HK\$12.7 million was recorded in “other gains and losses” during the Period (six months ended 30 June 2023: fair value gain of approximately HK\$337,000). The fair value loss for the Period mainly arose from the Yuen Long Property. The decrease in fair value of the Yuen Long Property was mainly due to the lowered market value and rental value of adjacent locations.

No material fluctuation is expected for this business and the Group will continue to monitor the real 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 and financial assets at fair value through profit or loss as at 30 June 2024 amounted to approximately HK\$34.2 million (31 December 2023: approximately HK\$38.0 million). During the Period, the Group recorded a fair value loss in investments of securities listed in Hong Kong of approximately HK\$3.7 million which was recorded in "other gains and losses" (six months ended 30 June 2023: approximately HK\$42,000). No realized gain or loss was recorded during both the Period and six months ended 30 June 2023.

The Group's investments as at 30 June 2024 included investment in 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 2024. The top five largest investments amounted to approximately HK\$30.5 million, representing 2.7% of the Group's unaudited total assets as at 30 June 2024.

The largest investment was the investment in an offshore investment fund named Zhong Wei Capital L.P. ("**Zhong Wei**"), which represented 1.33% of the total share capital of Zhong Wei. Zhong Wei has invested in various entities including public and private entities incorporated in Hong Kong, the PRC, Indonesia and Singapore. These entities are principally engaged in, including but not limited to, artificial intelligence technology, energy, healthcare, financial technological and recreational sectors. Its fair value as at 30 June 2024 amounted to approximately HK\$17.5 million, accounting for approximately 1.5% of the Group's unaudited total assets as at 30 June 2024. During the Period, the Group has received an investment income of approximately HK\$672,000 from Zhong Wei which was recorded in "other income" of the Group.

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 of medical skincare equipment 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 decreased to approximately HK\$13.5 million (six months ended 30 June 2023: approximately HK\$14.1 million) while a segment loss of approximately HK\$410,000 was recorded during the Period (six months ended 30 June 2023: approximately HK\$93,000). The increase in segment loss during the Period was mainly attributable to: (i) the decrease in revenue derived from Hong Kong customers while the gross profit margin and the operating expenses remained stable as compared with the same period last year.

The Group will continue to allocate more resources to expand and develop the sales team in Hong Kong, overseas and the PRC, so as to broaden the clientele, optimize the product mix and provide more value-added services to the existing and target customers.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2024, the Group had cash and cash equivalents, pledged bank deposits and short-term bank deposits of approximately HK\$215.8 million (31 December 2023: approximately HK\$196.1 million). The current ratio stood at 2.2 times (31 December 2023: 2.6 times) and the quick ratio was 1.2 times as at 30 June 2024 (31 December 2023: 1.5 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 sale/properties for sale by total current liabilities as at the end of the Period.

The current ratio and the quick ratio as at 30 June 2024 were lower as compared with the respective figures as at 31 December 2023, which was mainly attributable to the increase in trade and other payables of approximately HK\$44.0 million which included the accrued construction cost of the Property Development Business of approximately HK\$78.6 million.

As at 30 June 2024, the total borrowings of the Group amounted to approximately HK\$184.4 million (31 December 2023: approximately HK\$163.4 million). The gearing ratio was 27.4% as at 30 June 2024 (31 December 2023: 22.6%), which was calculated by dividing the Group's total borrowings by the Group's total equity of approximately HK\$674.3 million as at 30 June 2024 (31 December 2023: approximately HK\$722.8 million) and then multiplying the value by 100%. The increase in gearing ratio was mainly due to the increase in bank borrowings of the Group and the reasons for which are stated below.

The Group's total borrowings included: (i) an amount of approximately HK\$16.1 million due to a non-controlling shareholder of a subsidiary (31 December 2023: approximately HK\$16.5 million); (ii) secured bank borrowings of approximately HK\$121.4 million (31 December 2023: approximately HK\$93.5 million); and (iii) lease liabilities of approximately HK\$46.9 million (31 December 2023: approximately HK\$53.4 million). Secured bank borrowings included (i) an amount of approximately HK\$16.0 million (31 December 2023: approximately HK\$14.1 million) payable within seven years and carrying interest at the Hong Kong Inter-bank Offered Rate plus 1.85% per annum; (ii) an amount of approximately HK\$68.3 million (31 December 2023: approximately HK\$54.2 million) payable within one year and carrying interest at the Hong Kong Inter-bank Offered Rate plus 1.25% to 2.5% per annum; and (iii) an amount of approximately HK\$37.1 million (31 December 2023: approximately HK\$25.2 million) payable within three years and carrying interest 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 cash and cash equivalents were 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 2024.

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\$82.2 million (six months ended 30 June 2023: approximately HK\$37.3 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 2024, the Group had capital commitments of approximately HK\$122.1 million (31 December 2023: approximately HK\$150.4 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 2024, the Group had contingent liabilities of approximately HK\$130.7 million (31 December 2023: approximately HK\$133.9 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.

PLEDGE OF ASSETS

As at 30 June 2024, the Group had pledged bank deposits, investment properties and properties under development for sales with an aggregate carrying value of approximately HK\$233.2 million (31 December 2023: approximately HK\$386.8 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 2024.

SHARE CAPITAL AND CAPITAL STRUCTURE

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

As at 30 June 2024, the Company did not hold any treasury share.

HUMAN RESOURCES

As at 30 June 2024, the Group had approximately 1,070 full-time employees (31 December 2023: approximately 1,000). Total amounts of staff costs (including Directors' remuneration) for the Period were approximately HK\$74.9 million (six months ended 30 June 2023: approximately HK\$87.2 million).

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

Discloseable transaction – Provision of a loan

On 20 August 2024, Grand Prospects entered into a loan agreement, pursuant to which Grand Prospects agreed to grant to the borrower, which is an independent third party, a secured and guaranteed loan in the principal amount of HK\$3.8 million for a term of 12 months, bearing interest at 13% per annum.

For further details, please refer to the announcement of the Company dated 20 August 2024.

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 C3 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiry of all Directors, the Company has received confirmations from all Directors that they have complied with the required standards set out in the Model Code during the 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 of the Board (“**Audit Committee**”) comprises one non-executive Director and two independent non-executive Directors 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 contained in Part 2 of Appendix C1 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 2024.

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

Hong Kong, 29 August 2024

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, Mr. Chu Gun Pui and Ms. Sin Chui Pik, Christine being the independent non-executive Directors.