



**NEWAY GROUP HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00055)**

**INTERIM FINANCIAL REPORT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010**

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

#### **Executive directors:**

Mr. SUEK Ka Lun, Ernie (*Chairman*)

Mr. SUEK Chai Hong  
(*Chief Executive Officer*)

Mr. LAU Chin Hung  
(*retired on 18 August 2010*)

Mr. CHENG Chee Juen, Patrick  
(*resigned on 25 November 2010*)

#### **Non-executive directors:**

Dr. NG Wai Kwan

Mr. CHAN Kwing Choi, Warren

Mr. WONG Sun Fat

#### **Independent non-executive directors:**

Mr. TSE Tin Tai

Mr. CHENG Chi Wai

Ms. LUI Lai Ping, Cecily

#### **Alternate director:**

Mr. LAU Kam Cheong  
(*Alternate director to Dr. NG Wai Kwan*)

### **COMPANY SECRETARY**

Ms. Cheung Yuk Shan  
(*appointed on 23 August 2010*)

### **REGISTERED OFFICE**

Clarendon House  
Church Street  
Hamilton HM 11  
Bermuda

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Chung Tai Printing Group Building  
11 Yip Cheong Street  
On Lok Tsuen, Fanling  
New Territories  
Hong Kong

### **PRINCIPAL BANKERS**

The Hongkong and Shanghai  
Banking Corporation Limited  
Hang Seng Bank Limited  
Industrial and Commercial  
Bank of China (Asia) Limited  
China Construction  
Bank (Asia) Corporation Limited  
Standard Chartered Bank  
(Hong Kong) Limited

### **AUDITOR**

Deloitte Touche Tohmatsu

### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Secretaries Limited  
26/F, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

### **COMPANY'S WEBSITE**

<http://www.newaygroup.com.hk>

### **STOCK CODE**

00055



德勤 • 關黃陳方會計師行  
香港金鐘道88號  
太古廣場一座35樓

Deloitte Touche Tohmatsu  
35/F One Pacific Place  
88 Queensway  
Hong Kong

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF NEWAY GROUP HOLDINGS LIMITED

### Introduction

We have reviewed the interim financial information set out on pages 3 to 16 which comprises the condensed consolidated statement of financial position of Neway Group Holdings Limited and its subsidiaries as at 30 September 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

19 November 2010

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

		<b>Six months ended</b>	
		<b>30.9.2010</b>	30.9.2009
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
Revenue	3	<b>373,894</b>	343,264
Cost of sales		<b>(290,154)</b>	(259,566)
Gross profit		<b>83,740</b>	83,698
Interest income		<b>2,390</b>	1,727
Other income		<b>135</b>	246
Distribution costs		<b>(13,864)</b>	(15,778)
Administrative expenses		<b>(39,071)</b>	(31,099)
Other gains and losses		<b>12,129</b>	20,391
Share of loss of an associate		<b>(628)</b>	(636)
Finance costs		<b>(72)</b>	(26)
Profit before taxation		<b>44,759</b>	58,523
Taxation	4	<b>(3,093)</b>	(1,650)
Profit for the period	5	<b>41,666</b>	56,873
Other comprehensive income			
Exchange differences arising on translation of foreign operations		<b>251</b>	2,263
Total comprehensive income for the period		<b>41,917</b>	59,136
Basic earnings per share (HK cents)	7	<b>0.41</b>	0.56

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AT 30 SEPTEMBER 2010

	<i>Notes</i>	<b>30.9.2010 (Unaudited) HK\$'000</b>	31.3.2010 (Audited) HK\$'000
<b>ASSETS AND LIABILITIES</b>			
Non-current assets			
Property, plant and equipment	<i>8</i>	<b>219,184</b>	188,034
Prepaid lease payments		<b>3,030</b>	3,074
Deposits for land use right		<b>39,352</b>	39,352
Investment in an associate	<i>9</i>	<b>16,305</b>	16,933
Goodwill		<b>36,025</b>	36,025
Intangible assets		<b>11,637</b>	12,786
		<b>325,533</b>	296,204
Current assets			
Inventories		<b>97,454</b>	92,879
Film rights		–	6,152
Trade receivables, other receivables and prepayments	<i>10</i>	<b>216,557</b>	110,611
Prepaid lease payments		<b>89</b>	89
Amounts due from related companies	<i>10</i>	<b>2,302</b>	10,593
Tax recoverable		<b>231</b>	379
Short-term bank deposits		<b>272,195</b>	293,791
Cash and cash equivalent		<b>76,914</b>	85,569
		<b>665,742</b>	600,063
Current liabilities			
Trade payables, other payables and accruals	<i>11</i>	<b>116,941</b>	61,848
Tax liabilities		<b>8,247</b>	4,713
Bank borrowings	<i>12</i>	<b>10,306</b>	7,093
		<b>135,494</b>	73,654
Net current assets		<b>530,248</b>	526,409

	<i>Notes</i>	<b>30.9.2010 (Unaudited) HK\$'000</b>	31.3.2010 (Audited) HK\$'000
Total assets less current liabilities		<b>855,781</b>	822,613
Non-current liability			
Deferred taxation	<i>13</i>	<b>13,314</b>	13,908
Net assets		<b>842,467</b>	808,705
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>14</i>	<b>50,968</b>	50,968
Reserves		<b>791,499</b>	757,737
Total equity		<b>842,467</b>	808,705

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010**

	Share capital HK\$'000	Share premium HK\$'000	Put option reserve HK\$'000	Deemed contribution from a shareholder HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2009	50,968	210,950	—	—	63	38,155	454,354	754,490
Exchange differences arising on translation of foreign operations	—	—	—	—	—	2,263	—	2,263
Profit for the period	—	—	—	—	—	—	56,873	56,873
Total comprehensive income for the period	—	—	—	—	—	2,263	56,873	59,136
Arising from acquisition of subsidiaries	—	—	(19,561)	19,561	—	—	—	—
At 30 September 2009	<u>50,968</u>	<u>210,950</u>	<u>(19,561)</u>	<u>19,561</u>	<u>63</u>	<u>40,418</u>	<u>511,227</u>	<u>813,626</u>
At 1 April 2010	50,968	210,950	(19,561)	19,561	63	40,312	506,412	808,705
Exchange differences arising on translation of foreign operations	—	—	—	—	—	251	—	251
Profit for the period	—	—	—	—	—	—	41,666	41,666
Total comprehensive income for the period	—	—	—	—	—	251	41,666	41,917
Dividends recognised as distribution	—	—	—	—	—	—	(8,155)	(8,155)
At 30 September 2010	<u>50,968</u>	<u>210,950</u>	<u>(19,561)</u>	<u>19,561</u>	<u>63</u>	<u>40,563</u>	<u>539,923</u>	<u>842,467</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	<b>Six months ended</b>	
	<b>30.9.2010</b>	30.9.2009
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Net cash from operating activities	<b>11,287</b>	23,488
Net cash used in investing activities:		
Acquisition of subsidiaries	–	(58,973)
Purchases of property, plant and equipment	<b>(45,787)</b>	(1,588)
Disposal of property, plant and equipment	<b>517</b>	–
Proceed on disposal of film rights and related prepayment	<b>8,800</b>	–
Decrease (increase) in short term bank deposits	<b>21,596</b>	(648)
Other investing cash flows	–	1,727
	<b>(14,874)</b>	(59,482)
Net cash (used in) from financing activities:		
Dividends paid	<b>(8,155)</b>	–
New bank import loans raised	<b>21,456</b>	5,722
Repayment of bank import loans	<b>(18,243)</b>	(2,263)
Other financing cash flows	<b>(70)</b>	(29)
	<b>(5,012)</b>	3,430
Net decrease in cash and cash equivalents	<b>(8,599)</b>	(32,564)
Cash and cash equivalents at the beginning of the period	<b>85,569</b>	116,521
Effect of foreign exchange difference	<b>(56)</b>	269
Cash and cash equivalents at the end of the period represented by	<b>76,914</b>	84,226
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<b>76,914</b>	84,226

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

### 1. GENERAL AND BASIS OF PREPARATION

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

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis.

In the current interim period, the Group has applied, for the first time, the following revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 April 2010.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 32 (Amendment)	Classification of right issues
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 March 2010, except as described below.

#### ***HKFRS 3 (Revised) “Business Combinations” and HKAS 27 (Revised) “Consolidated and Separate Financial Statements”***

The Group applies HKFRS 3 (Revised) “Business combinations” prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) “Consolidated and separate financial statements” in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable. Thus, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods. Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### ***Amendment to HKAS 17 “Leases”***

As part of Improvements to HKFRSs issued in 2009, HKAS 17 “Leases” has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and present them as prepaid lease payments in the condensed consolidated statement of financial position. The amendment has removed such a requirement. The amendment requires the classification of leasehold land to be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 April 2010 based on information that existed at the inception of the leases. No reclassification is considered necessary because none of the leasehold land qualifies for finance lease classification.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statement of the Group for the current or prior accounting periods.

The Group has not early applied the following new or revised standards, amendments and interpretations that have been issued but not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>1</sup>
HKAS 24 (Revised)	Related party disclosures <sup>2</sup>
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters <sup>2</sup>
HKFRS 7 (Amendment)	Disclosures – Transfer of financial assets <sup>4</sup>
HKFRS 9	Financial instruments <sup>5</sup>
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement <sup>3</sup>
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments <sup>2</sup>

<sup>1</sup> *Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.*

<sup>2</sup> *Effective for annual periods beginning on or after 1 July 2010.*

<sup>3</sup> *Effective for annual periods beginning on or after 1 January 2011.*

<sup>4</sup> *Effective for annual periods beginning on or after 1 July 2011.*

<sup>5</sup> *Effective for annual periods beginning on or after 1 January 2013.*

The directors of the Company anticipate that the application of the above new and revised standards, amendments and interpretations will have no material effect on the results and financial position of the Group.

### 3. SEGMENT INFORMATION

Segment information is presented based on internal reports to the Company's board of directors who are the chief operating decision makers for the purposes of resource allocation and assessment of performance is organised into two operating segments as follows:

- (a) sales of printing products ("Printing"); and
- (b) artistes management, production and distribution of music albums and movies ("Music and entertainment").

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

	Revenue		Segment profit	
	Six-month period ended		Six-month period ended	
	30.9.2010	30.9.2009	30.9.2010	30.9.2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Printing	<b>366,676</b>	336,236	<b>40,832</b>	37,381
Music and entertainment	<b>7,218</b>	7,028	<b>801</b>	939
Total	<b><u>373,894</u></b>	<u>343,264</u>	<b>41,633</b>	38,320
Interest income			<b>2,390</b>	1,727
Unallocated corporate expenses			<b>(3,427)</b>	(1,279)
Net foreign exchange gain			<b>4,791</b>	20,391
Share of loss of an associate			<b>(628)</b>	(636)
Profit before taxation			<b>44,759</b>	58,523
Taxation			<b>(3,093)</b>	(1,650)
Profit for the period			<b><u>41,666</u></b>	<u>56,873</u>

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

Segment profit represents the profit earned by each segment without allocation of interest income, unallocated corporate expenses, net foreign exchange gain and share of loss of an associate. This is the measure reported to the Group's board of directors for the purpose of resource allocation and assessment of segment performance.

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

	30.9.2010	31.3.2010
	HK\$'000	HK\$'000
Printing	<b>571,520</b>	421,201
Music and entertainment	<b>54,340</b>	78,772
Total segment assets	<b>625,860</b>	499,973
Unallocated assets	<b>365,415</b>	396,294
Consolidated assets	<b><u>991,275</u></b>	<u>896,267</u>

#### 4. TAXATION

	<b>Six months ended</b>	
	<b>30.9.2010</b> <b>(Unaudited)</b> <b>HK\$'000</b>	30.9.2009 <b>(Unaudited)</b> <b>HK\$'000</b>
The charge comprises:		
Current tax for the period:		
Hong Kong	<b>3,436</b>	3,587
Other jurisdictions	<b>251</b>	344
	<b>3,687</b>	3,931
Overprovision in prior year	–	(1,033)
	<b>3,687</b>	2,898
Deferred taxation ( <i>note 13</i> ):		
Current period	<b>(594)</b>	(1,248)
	<b>3,093</b>	1,650

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the period ended 30 September 2010 and 30 September 2009.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

#### 5. PROFIT FOR THE PERIOD

	<b>Six months ended</b>	
	<b>30.9.2010</b> <b>(Unaudited)</b> <b>HK\$'000</b>	30.9.2009 <b>(Unaudited)</b> <b>HK\$'000</b>
Profit for the period has been arrived at after charging (crediting):		
Amortisation of film rights	<b>4,498</b>	810
Amortisation of intangible assets	<b>1,149</b>	–
Net foreign exchange gain (included in other gains and losses)	<b>(4,791)</b>	(20,391)
Depreciation of property, plant and equipment	<b>14,176</b>	17,079
Amortisation of prepaid lease payments	<b>45</b>	45
Loss on disposal of fixed assets	–	75
Gain on disposal of film rights and related prepayment (included in other gains and losses)	<b>(3,647)</b>	–
Bad debts recovered (included in other gains and losses)	<b>(3,675)</b>	–

**6. DIVIDENDS**

	<b>Six months ended</b>	
	<b>30.9.2010</b>	30.9.2009
	(Unaudited)	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interim dividend proposed	<u><b>3,058</b></u>	<u>8,155</u>
Dividends recognised as distribution:		
2010 Final dividend of HK0.08 cents		
(2009: nil) per share	<u><b>8,155</b></u>	<u>–</u>

Subsequent to the end of the reporting period, the directors proposed an interim dividend of HK0.03 cent per share be paid to the shareholders of the Company whose names appear on the Register of Members on 17 December 2010.

**7. EARNINGS PER SHARE**

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

	<b>Six months ended</b>	
	<b>30.9.2010</b>	30.9.2009
	(Unaudited)	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Earnings for the purposes of basic earnings per share (profit for the period)	<u><b>41,666</b></u>	<u>56,873</u>
	<b>30.9.2010</b>	30.9.2009
<b>Number of shares</b>		
Weighted average number of shares for the purpose of basic earnings per share	<u><b>10,193,545,600</b></u>	<u>10,193,545,600</u>

No diluted earnings per share has been presented as there were no potential ordinary shares outstanding during the current period.

**8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group spent approximately HK\$45,787,000 (for the six months period ended 30 September 2009: HK\$1,588,000) to acquire property, plant and equipment.

**9. INVESTMENT IN AN ASSOCIATE**

The investment represents 30% interest in an associate in the PRC which mainly holds a piece of leasehold land in the PRC.

**10. OTHER FINANCIAL ASSETS**

The Group's credit terms on sales of printing business generally range from 60 to 90 days. A longer period is granted to a few customers with whom the Group has a good business relationship and which are in sound financial condition. The Group allows an average credit period of 45 days to its customers of artistes management, production and distribution of music albums. The credit terms of the distribution of movie are determined on project basis. An ageing analysis of the trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	<b>30.9.2010</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31.3.2010 (Audited) HK\$'000
<b>Printing operation:</b>		
0 – 30 days	<b>77,818</b>	76,408
31 – 60 days	<b>66,973</b>	9,526
61 – 90 days	<b>30,793</b>	5,364
Over 90 days	<b>16,341</b>	277
	<b>191,925</b>	91,575

The period from June to September is the high season for the printing operation. As a result, the trade receivables as at 30 September 2010 was significantly higher than at 31 March 2010.

	<b>30.9.2010</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31.3.2010 (Audited) HK\$'000
<b>Music and entertainment operation:</b>		
0 – 45 days	<b>732</b>	1,105
46 – 90 days	<b>52</b>	122
91 – 180 days	–	29
181 – 365 days	–	390
Over 365 days	<b>3,815</b>	2,399
	<b>4,599</b>	4,045
Total trade receivables	<b>196,524</b>	95,620
Deposits, prepayments and other receivables	<b>20,033</b>	14,991
	<b>216,557</b>	110,611

Amounts due from related companies are unsecured, interest free and repayable on demand. Dr. Suek Chai Kit, Christopher, a substantial shareholder of the Company, is one of the ultimate beneficial owners of the related companies.

**11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS**

An ageing analysis of the trade and other payables is as follows:

	<b>30.9.2010</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31.3.2010 (Audited) HK\$'000
0 – 30 days	<b>28,379</b>	34,330
31 – 60 days	<b>23,381</b>	8,211
61 – 90 days	<b>6,497</b>	1,632
over 90 days	<b>5,941</b>	411
	<b>64,198</b>	44,584
Accrued expenses and other payables	<b>52,743</b>	17,264
	<b>116,941</b>	61,848

As at 30 September 2010, machinery payable of approximately HK\$30 million was included in accrued expenses and other payables.

**12. BANK BORROWINGS**

The bank borrowings are unsecured bank import loans denominated in United States dollars, carry interest at market rates of 1.75% per annum and are repayable within one year.

During the period, the Group has raised and repaid bank import loans of approximately HK\$21,456,000 and HK\$18,243,000 (six months period ended 30 September 2009: HK\$5,722,000 and HK\$2,263,000) respectively.

**13. DEFERRED TAXATION**

The following are the major deferred tax liability and asset recognised and movements thereon during the current and prior periods:

	<b>Accelerated tax depreciation</b> HK\$'000	<b>Tax losses</b> HK\$'000	<b>Intangible assets</b> HK\$'000	<b>Total</b> HK\$'000
At 1 April 2009	13,266	(434)	–	12,832
Acquisition of subsidiaries	–	–	2,497	2,497
Credit to profit and loss for the period	<u>(1,248)</u>	<u>–</u>	<u>–</u>	<u>(1,248)</u>
At 30 September 2009	12,018	(434)	2,497	14,081
(Credit) charge to profit and loss for the period	<u>(22)</u>	<u>134</u>	<u>(285)</u>	<u>(173)</u>
At 31 March 2010	11,996	(300)	2,212	13,908
(Credit) charge to profit and loss for the period	<u>(328)</u>	<u>36</u>	<u>(302)</u>	<u>(594)</u>
At 30 September 2010	<u>11,668</u>	<u>(264)</u>	<u>1,910</u>	<u>13,314</u>

At 30 September 2010, the Group has estimated unused tax losses of approximately HK\$13,818,000 (31.3.2010: HK\$14,036,000) available to offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$1,600,000 (31.3.2010: HK\$1,820,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$12,218,000 (31.3.2010: HK\$12,216,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

**14. SHARE CAPITAL**

	<b>Number of shares</b>	<b>Share capital</b> HK\$'000
Ordinary shares of HK\$0.005 each		
Authorised:		
At 1 April 2010 and 30 September 2010	<u>100,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1 April 2010 and 30 September 2010	<u>10,193,545,600</u>	<u>50,968</u>

**15. CAPITAL COMMITMENTS**

	<b>30.9.2010</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31.3.2010 (Audited) HK\$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided for in the condensed consolidated financial statements	<u><b>1,280</b></u>	<u>15,597</u>

**16. RELATED PARTY TRANSACTIONS**

- (a) During each of the six month periods ended 30 September 2010 and 2009, the Group had entered into the following significant transactions with related companies:

	<b>30.9.2010</b> <b>(Unaudited)</b> <b>HK\$'000</b>	30.9.2009 (Unaudited) HK\$'000
Income:		
Sales of goods ( <i>Note i</i> )	<b>300</b>	144
Song license fee income ( <i>Note i</i> )	<b>620</b>	830
Promotion income ( <i>Note i</i> )	<b>2,670</b>	2,670
Expenses:		
Office rental expenses ( <i>Note i</i> )	<b>180</b>	180
Production and service charges ( <i>Note i</i> )	<b>–</b>	240
Premise rental expenses ( <i>Note ii</i> )	<b>420</b>	420

*Notes:* The transactions were carried out with related companies are beneficially owned by Dr. Suek Chai Kit, Christopher, a substantial shareholder of the Company.

- (i) Dr. Suek Chai Kit, Christopher, is one of the ultimate beneficial owners of the related company.
- (ii) The transaction was carried out with a related company, a company beneficially owned by the spouse and sons of Dr. Suek Chai Kit, Christopher.
- (b) Compensation of key management personnel**

The remuneration of directors and other members of key management during the period was as follows:

	<b>30.9.2010</b> <b>(Unaudited)</b> <b>HK\$'000</b>	30.9.2009 (Unaudited) HK\$'000
Short-term benefits	<b>4,592</b>	4,654
Post-employment benefits	<b>98</b>	86
	<u><b>4,690</b></u>	<u>4,740</u>

## INTERIM DIVIDEND

The board of directors (the “Board”) of the Company has declared an interim dividend of HK0.03 cent per share for the six months ended 30 September 2010 to the shareholders of the Company whose names appear on the register of members on 17 December 2010. The interim dividend is expected to be paid on 7 January 2011.

## CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 20 December 2010 to 22 December 2010, both days inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong not later than 4:30 p.m. on 17 December 2010.

## REVIEW OF FINANCIAL RESULTS

For the six months ended 30 September 2010, turnover of the Group amounted to HK\$373.9 million (six months ended 30 September 2009: HK\$343.3 million), increased by 8.9% over the same period last year.

The gross profit for the period under review maintained at HK\$83.7 million (six months ended 30 September 2009: HK\$83.7 million). The gross profit margin has decreased slightly by 2% to 22.4% from 24.4% for the same period last year.

Distribution costs decreased by approximately 12.1% to HK\$13.9 million (six months ended 30 September 2009: HK\$15.8 million) due to better control on transportation cost. Administrative expenses increased by 25.6% to HK\$39.1 million from HK\$31.1 million for the corresponding period last year. The increase in administrative expenses was mainly attributable to the increase in staffs costs, rental expenses of factory in China and consultancy fee paid to a third party. Net profit decreased by 26.7% from HK\$56.9 million to HK\$41.7 million. The net profit margin for the period was 11.1% (six months ended 30 September 2009: 16.6%).

## REVIEW OF OPERATIONS AND PROSPECTS

### Printing business

During the period ended 30 September 2010, turnover increased by 9.1% to HK\$366.7 million as compared with the same period of last year. The increase in turnover was mainly attributable to the increased orders in both overseas and China markets placed by new customers. The Group will continue to explore new business opportunities in overseas and China markets.

During the first half of the financial year 2010/2011, the Group continued to face challenges of surging material costs, appreciation of the Renminbi against the Hong Kong dollar and increases in labour costs and other operating costs. The gross profit margin has decreased slightly by 1.1% to 22.9% from 24.0% for the corresponding period last year. In order to tackle these challenges, the Group has continuously strengthened its cost control policy on material prices and lowered the attrition rate during production to enhance the efficiency.

Segment profit for the period increased to HK\$40.8 million (six months ended 30 September 2009: HK\$37.4 million). Such improvement was due to the increase in turnover and the recovery of bad debts of HK\$3.7 million which were provided for in prior years.

## **REVIEW OF OPERATIONS AND PROSPECTS (Continued)**

### **Music and entertainment business**

Revenue for the period ended 30 September 2010 increased by 2.7% to HK\$7.2 million as compared to the same period last year. Revenue mainly consisted of the promotion revenue from certain promotional activities in connection with the Karaoke operations, income from concerts and shows, artiste management income, album distribution income and song licensing income. The net profit margin has increased by 1.9% from 13.3% for the corresponding period last year to 15.2% for the period.

The entertainment segment currently manages a pool of young and dynamic artists in Hong Kong, China and Taiwan, and also engages in the production and distribution of music albums. During the period, the Group has restructured the entertainment division and introduced different new elements into the division, such as concerts and shows and investment in television series. The Group is actively looking for more talented artists, either by artistic management arrangement or production of music albums, to increase its market share in the industry and organize (or jointly organize) more concerts and shows in the future. Meanwhile, the Group has expanded its entertainment business to the China market and invested in television series through co-operation with a Chinese local entertainment group and the television series are expected to be launched in the coming year. The Group will continue to seek for co-operation opportunities with other Chinese local entertainment groups and increase our investment in quality films and television series and other entertainment projects with huge potentials.

The Board is optimistic about the future prospects of the music and entertainment business and the Group will strive to solidify its industry platform in both Hong Kong and China regions, and gradually advance its market position.

### **Other operating income**

During the period, an exchange gain amounting to HK\$4.8 million in fixed deposits held in Australian dollars was brought by the appreciation of the Australian dollars against Hong Kong dollars. The said deposits are still held by the Group at the time of this result announcement.

## **LIQUIDITY AND FINANCIAL POSITION**

As at 30 September 2010, the Group had approximately HK\$76.9 million cash and cash equivalent. The current ratio stood at 4.9 indicating an ample cash flow and stable liquidity position over the period under review. The Group's bank balances and cash and short-term bank deposits were approaching HK\$338.8 million (31 March 2010: HK\$372.3 million), after deducting bank borrowings of HK\$10.3 million (31 March 2010: HK\$7.1 million). The gearing ratio was 1.2% (31 March 2010: 0.9%), which is calculated on the basis of the Group's total borrowings of HK\$10.3 million (31 March 2010: HK\$7.1 million) and the shareholders' fund of HK\$842.5 million (31 March 2010: HK\$808.7 million).

At 30 September 2010, the Group had working capital of HK\$527.8 million (31 March 2010: HK\$509.2 million), which comprised primarily inventories of HK\$97.5 million, trade and other receivables of HK\$216.6 million, bank balances, cash and short-term deposit of HK\$349.1 million, and less trade and other payables of HK\$116.9 million, tax liabilities of HK\$8.2 million and bank borrowings of HK\$10.3 million.

## LIQUIDITY AND FINANCIAL POSITION (Continued)

Save for the Australian dollars time deposits held by the Company, the Group's transactions are mainly denominated in Hong Kong dollars, Renminbi and United States dollars. Except for Renminbi, the foreign currency risk exposure for Hong Kong dollars and United States dollars is not significant during the period under review. The management monitors foreign exchange exposure for Renminbi and will consider hedging significant foreign exchange exposure should then need arise. During the period, the Group did not use any financial instruments for hedging purpose and did not have any hedging instruments outstanding as at 30 September 2010.

## HUMAN RESOURCES

As at 30 September 2010, the total number of employees of the Group was approximately 3,000.

The remuneration schemes are generally structured with reference to market conditions and the qualifications of the employees. The reward packages of the Group's staff are normally reviewed on an annual basis based on the staff and the Group's performance. Apart from salary payment, other staff benefits include contribution to Retirement Benefit Scheme and medical insurance for eligible employees. In-house and external training programmes are provided as and when required.

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2010, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

### (i) Long positions of ordinary shares of HK\$0.005 each of the Company

<u>Name of director</u>	<u>Capacity</u>	<u>Number of ordinary shares held</u>	<u>Percentage of the issued share capital of the Company</u>
Mr. SUEK Ka Lun, Ernie	Other interests ( <i>Note</i> )	3,713,200,000	36.43
Dr. NG Wai Kwan	Beneficial owner	800,000	0.01

*Note:* These shares are beneficially owned by CNA Company Limited ("CNA") which in turn is beneficially owned by the CNA Trust, a discretionary trust whose beneficiaries include Mr. SUEK Ka Lun Ernie.

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)

### (ii) Long positions of shares in associated corporations

At 30 September 2010, CNA beneficially owned deferred non-voting shares in the following subsidiaries of the Company:

Name of subsidiary	Name of owner	Number and par value of deferred non-voting shares
Chung Tai Management Limited	CNA	2 shares of HK\$1 each
Chung Tai Printing (China) Company Limited	CNA	100 shares of HK\$100 each
Chung Tai Printing Company Limited	CNA	3,000 shares of HK\$100 each
Profit Link Investment Limited	CNA	2 shares of HK\$1 each
The Greatime Offset Printing Company, Limited	CNA	9,500 shares of HK\$100 each

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations as at 30 September 2010.

## SUBSTANTIAL SHAREHOLDERS

At 30 September 2010, the interests or short positions of the substantial shareholders (other than the directors of the Company) in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance were as follows:

### Long Positions

Name of shareholder	Capacity	Number of shares held	Percentage of the issued share capital of the Company
CNA	Beneficial owner	3,713,200,000 <sup>1</sup>	36.43
Dr. SUEK Chai Kit, Christopher	Founder of trust	3,987,200,000 <sup>2</sup>	39.11
Dr. NG Wai Yung	By attribution	3,987,200,000 <sup>3</sup>	39.11
Trustcorp Limited	Trustee	4,095,600,000 <sup>4</sup>	40.18
Newcorp Ltd.	Held by controlled corporation	4,095,600,000	40.18

## **SUBSTANTIAL SHAREHOLDERS (Continued)**

### **Long Positions (Continued)**

*Notes:*

1. CNA is beneficially owned by a discretionary trust.
2. Out of these shares, 3,713,200,000 shares are beneficially owned by CNA which in turn is beneficially owned by a discretionary trust set up by Dr. SUEK Chai Kit, Christopher, who is also one of the beneficiaries; 274,000,000 shares are beneficially owned by Dr. SUEK Chai Kit, Christopher.
3. Spouse of Dr. SUEK Chai Kit, Christopher, a substantial shareholder.
4. Out of these shares, 3,713,200,000 shares duplicate with those held by CNA and 274,000,000 shares duplicate with those held by Dr. SUEK Chai Kit, Christopher (note 1 above); 108,400,000 shares are beneficially owned by another SUEK family members.

## **CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS**

Details of the discloseable connected transaction and directors' interests in contracts for the current period are set out in note 16 to the financial statements.

The independent non-executive directors of the Company have reviewed and confirmed that the connected transactions as set out in note 16 to the financial statements entered into by the Group were in the ordinary course of its business and on normal business terms.

Save as disclosed above, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the current period or at any time during the period under review.

## **CHANGE IN INFORMATION OF DIRECTOR**

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the change in information of director since the date of the Company's 2010 Annual Report is set out below:

### **Mr. Cheng Chee Juen, Patrick, Executive Director**

Director's emoluments and benefits payable to Mr. Cheng Chee Juen, Patrick ("Mr. Cheng") has been revised to HK\$33,500 per month from 1 September 2010.

In order to pursue his other career opportunities, Mr. Cheng has tendered his resignation as an executive director of the Group with effect from 25 November 2010.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") for securities transactions by the directors. Having made specific enquiry of all directors, all directors confirmed that, in respect of the six months ended 30 September 2010, they have complied with the required standard set out in the Model Code regarding securities transactions by the directors.

## **AUDIT COMMITTEE**

The audit committee comprises one non-executive director and two independent non-executive directors. The audit committee has reviewed with the management the Group's accounting policies and discussed auditing, internal controls, financial reporting matters, and have also reviewed the interim results and financial statements of the Company for the six months ended 30 September 2010.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period under review.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Board recognises that good corporate governance practices are vital to maintain and promote shareholder value and investor confidence and has introduced corporate governance practices appropriate to the conduct and growth of our business. The Company has complied with the Code Provisions in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules save for the following deviations:

The Company has not formalized and adopted written terms on the division of functions reserved to the Board and those delegated to the management. However, in practice, the Board takes responsibility for decision making in major matters of the Company while the day-to-day management, administration and operation are delegated to the senior executives. The Board also considers that the respective responsibilities of the Chairman and the Chief Executive Officer are clear and distinctive and hence written terms thereof are not necessary.

None of the directors are appointed for a specific term but they are subject to retirement by rotation once every three years pursuant to the Company's Bye-law.

## **REVIEW OF INTERIM RESULTS**

The interim results of the Group for the six months ended 30 September 2010 have not been audited, but have been reviewed by the Audit Committee of the Company and the Group's auditors, Messrs. Deloitte Touche Tohmatsu.

## **APPRECIATION**

On behalf of the Board, I would like to express my sincere thanks to our shareholders, customers, suppliers, business partners and all staff for their continuous support and trust to the Group during the period.

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

19 November 2010