



**NEWAY GROUP HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00055)**

**INTERIM FINANCIAL REPORT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011**

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

#### **Executive directors:**

Mr. SUEK Ka Lun, Ernie (*Chairman*)  
Mr. SUEK Chai Hong  
(*Chief Executive Officer*)

#### **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

### **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

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

HSBC Securities Services  
(Bermuda) Limited  
6 Front Street  
Hamilton HM 11 Bermuda

### **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



**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 18 which comprises the condensed consolidated statement of financial position of Neway Group Holdings Limited and its subsidiaries as at 30 September 2011 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

28 November 2011

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	<i>Notes</i>	<b>Six months ended</b>	
		<b>30.9.2011</b> <b>(Unaudited)</b> <b>HK\$'000</b>	30.9.2010 (Unaudited) HK\$'000
Revenue	3	<b>392,819</b>	373,894
Cost of sales		<b>(313,202)</b>	(290,154)
Gross profit		<b>79,617</b>	83,740
Interest income		<b>2,104</b>	2,390
Other income		<b>111</b>	135
Distribution costs		<b>(15,107)</b>	(13,864)
Administrative expenses		<b>(44,486)</b>	(39,071)
Other gains and losses		<b>66</b>	12,129
Share of loss of an associate		–	(628)
Finance costs		<b>(72)</b>	(72)
Profit before taxation		<b>22,233</b>	44,759
Taxation	4	<b>(1,584)</b>	(3,093)
Profit for the period	5	<b>20,649</b>	41,666
Other comprehensive income			
Exchange differences arising on translation of foreign operations		<b>1,600</b>	251
Total comprehensive income for the period		<b>22,249</b>	41,917
Basic earnings per share (HK cents)	7	<b>0.20</b>	0.41

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AT 30 SEPTEMBER 2011

	<i>Notes</i>	<b>30.9.2011 (Unaudited) HK\$'000</b>	31.3.2011 (Audited) HK\$'000
<b>ASSETS AND LIABILITIES</b>			
Non-current assets			
Property, plant and equipment	8	<b>249,282</b>	225,671
Prepaid lease payments		<b>2,941</b>	2,986
Deposits for land use right		<b>49,674</b>	40,995
Investment in an associate		–	15,903
Goodwill		<b>36,025</b>	36,025
Intangible assets		<b>9,339</b>	10,488
Deposits for investments	9	<b>25,978</b>	9,024
Deposits for acquisition of property, plant and equipment		–	3,149
		<b>373,239</b>	344,241
Current assets			
Inventories and record masters		<b>118,624</b>	99,404
Trade receivables	10	<b>193,840</b>	117,460
Other receivables and prepayments	11	<b>140,975</b>	65,217
Prepaid lease payments		<b>89</b>	89
Amounts due from related companies	12	<b>3,313</b>	4,642
Tax recoverable		<b>42</b>	423
Held for trading investment		<b>511</b>	–
Short-term bank deposits		<b>70,606</b>	185,946
Cash and cash equivalents		<b>78,716</b>	139,380
		<b>606,716</b>	612,561
Assets classified as held for sale	13	<b>15,903</b>	–
		<b>622,619</b>	612,561
Current liabilities			
Trade payables, other payables and accruals	14	<b>100,934</b>	80,105
Tax liabilities		<b>4,841</b>	3,579
Bank borrowings	15	<b>13,127</b>	8,624
		<b>118,902</b>	92,308

	<i>Notes</i>	<b>30.9.2011 (Unaudited) HK\$'000</b>	31.3.2011 (Audited) HK\$'000
Liabilities associated with assets classified as held for sale	<i>13</i>	<u>596</u>	<u>–</u>
		<u>119,498</u>	<u>92,308</u>
Net current assets		<u>503,121</u>	<u>520,253</u>
Total assets less current liabilities		<b>876,360</b>	864,494
Non-current liability Deferred taxation	<i>16</i>	<u>13,429</u>	<u>13,618</u>
Net assets		<u><b>862,931</b></u>	<u>850,876</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>17</i>	<b>50,968</b>	50,968
Reserves		<u>811,963</u>	<u>799,908</u>
Total equity		<u><b>862,931</b></u>	<u>850,876</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Share capital	Share premium	Put option reserve	Deemed contribution from a shareholder	Capital redemption reserve	Translation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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>
At 1 April 2011	50,968	210,950	(19,561)	19,561	63	46,811	542,084	850,876
Exchange differences arising on translation of foreign operations	-	-	-	-	-	1,600	-	1,600
Profit for the period	-	-	-	-	-	-	20,649	20,649
Total comprehensive income for the period	-	-	-	-	-	1,600	20,649	22,249
Dividends recognised as distribution	-	-	-	-	-	-	(10,194)	(10,194)
Transfer to retained profits upon the expiry of Put Option ended on 1 July 2011	-	-	19,561	-	-	-	(19,561)	-
Recognition of shareholder contribution upon the extension of the Put Option Period (Note 18)	-	-	(14,222)	14,222	-	-	-	-
At 30 September 2011	<u>50,968</u>	<u>210,950</u>	<u>(14,222)</u>	<u>33,783</u>	<u>63</u>	<u>48,411</u>	<u>532,978</u>	<u>862,931</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	<b>Six months ended</b>	
	<b>30.9.2011</b>	30.9.2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Net cash (used in) from operating activities	<b>(42,829)</b>	11,287
Net cash used in investing activities:		
Increase in deposit for land use right	<b>(8,679)</b>	–
Deposit paid for land bid auction	<b>(60,156)</b>	–
Increase in deposit for investment	<b>(16,954)</b>	–
Purchases of property, plant and equipment	<b>(28,732)</b>	(45,787)
Disposal of property, plant and equipment	<b>16</b>	517
Proceed on disposal of film rights and related prepayment	–	8,800
Decrease in short term bank deposits	<b>115,340</b>	21,596
Increase in short-term loan receivables	<b>(12,466)</b>	–
	<b>(11,631)</b>	(14,874)
Net cash (used in) from financing activities:		
Dividends paid	<b>(10,194)</b>	(8,155)
New bank import loans raised	<b>17,011</b>	21,456
Repayment of bank import loans	<b>(12,508)</b>	(18,243)
Other financing cash flows	<b>(72)</b>	(70)
	<b>(5,763)</b>	(5,012)
Net decrease in cash and cash equivalents	<b>(60,223)</b>	(8,599)
Cash and cash equivalents at the beginning of the period	<b>139,380</b>	85,569
Effect of foreign exchange differences	<b>(441)</b>	(56)
Cash and cash equivalents at the end of the period represented by	<b>78,716</b>	76,914
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<b>78,716</b>	76,914



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

### 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 except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2011 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2011. In addition, the Group has applied the following accounting policies for (i) non-current assets held for sale, and (ii) held for trading investments and (iii) Put Option in relation to Neway Entertainment Limited during the current interim period:

#### Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met. At the date of classification of an interest in an associate as held for sale, the Group ceases to apply equity accounting to the results and assets and liabilities of the associate. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

#### Held for trading investments

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as at held for trading investments are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned in the financial assets.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Put Option in relation to Neway Entertainment Limited

Where the Put Option (*as defined in Note 18*) remains unexercised at the expiry date, the balance stated in put option reserve will be transferred to the retained profits. No gain or loss is recognised in profit or loss upon expiration of the Put Option.

In the current interim period, the Group has applied, for the first time, all of the new and revised standards and interpretations (“New HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants that are effective in the current period. The application of the New HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements.

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

HKFRS 7 (Amendments)	Disclosures – transfers of financial assets <sup>1</sup>
HKFRS 9	Financial instruments <sup>2</sup>
HKFRS 10	Consolidated financial statements <sup>2</sup>
HKFRS 11	Joint arrangements <sup>2</sup>
HKFRS 12	Disclosure of interests in other entities <sup>2</sup>
HKFRS 13	Fair value measurement <sup>2</sup>
HK(IFRIC)-INT 20	Stripping costs in the production phase of a surface mine <sup>2</sup>
HKAS 1 (Amendments)	Presentation of items of other comprehensive income <sup>4</sup>
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets <sup>3</sup>
HKAS 19 (Revised 2011)	Employee benefits <sup>2</sup>
HKAS 27 (Revised 2011)	Separate financial statements <sup>2</sup>
HKAS 28 (Revised 2011)	Investments in associates and joint ventures <sup>2</sup>

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

<sup>2</sup> *Effective for annual periods beginning on or after 1 January 2013.*

<sup>3</sup> *Effective for annual periods beginning on or after 1 January 2012.*

<sup>4</sup> *Effective for annual periods beginning on or after 1 July 2012.*

The directors of the Company anticipate that the application of these New HKFRSs will have no material impact on the results and the 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 and is organised into two reportable and 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 reportable and operating segment for the period under review:

	Revenue		Segment profit	
	Six-month period ended		Six-month period ended	
	30.9.2011	30.9.2010	30.9.2011	30.9.2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Printing	<b>382,296</b>	366,676	<b>24,467</b>	40,832
Music and entertainment	<b>10,523</b>	7,218	<b>578</b>	801
Total	<b><u>392,819</u></b>	<u>373,894</u>	<b>25,045</b>	41,633
Interest income			<b>2,104</b>	2,390
Unallocated corporate expenses			<b>(5,201)</b>	(3,427)
Net foreign exchange gain			<b>285</b>	4,791
Share of loss of an associate			<b>-</b>	(628)
Profit before taxation			<b><u>22,233</u></b>	<u>44,759</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.

**3. SEGMENT INFORMATION (Continued)**

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

	<b>30.9.2011</b> <b>HK\$'000</b>	31.3.2011 HK\$'000
Printing	<b>681,903</b>	487,691
Music and entertainment	<b>64,773</b>	71,649
Total segment assets	<b>746,676</b>	559,340
Unallocated assets	<b>233,279</b>	397,462
Assets classified as held for sale	<b>979,955</b> <b>15,903</b>	956,802 –
Consolidated assets	<b>995,858</b>	956,802

**4. TAXATION**

	<b>Six months ended</b> <b>30.9.2011</b> <b>(Unaudited)</b> <b>HK\$'000</b>	30.9.2010 (Unaudited) HK\$'000
The charge comprises:		
Current tax for the period:		
Hong Kong	<b>1,616</b>	3,436
Other jurisdictions	<b>157</b>	251
	<b>1,773</b>	3,687
Deferred taxation ( <i>Note 16</i> ):		
Current period	<b>(189)</b>	(594)
	<b>1,584</b>	3,093

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the period ended 30 September 2011 and 30 September 2010.

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>30.9.2011</b> <b>(Unaudited)</b> <b>HK\$'000</b>	30.9.2010 <b>(Unaudited)</b> <b>HK\$'000</b>
Profit for the period has been arrived at after charging (crediting):		
Amortisation of film rights	–	4,498
Amortisation of intangible assets	<b>1,149</b>	1,149
Net foreign exchange gain (included in other gains and losses)	<b>(285)</b>	(4,791)
Depreciation of property, plant and equipment	<b>15,392</b>	14,176
Amortisation of prepaid lease payments	<b>45</b>	45
Gain on disposal of film rights and related prepayment (included in other gains and losses)	–	(3,647)
Bad debts recovered (included in other gains and losses)	–	(3,675)
Loss on held for trading investment (included in other gains and losses)	<b>219</b>	–
	<u><b>219</b></u>	<u>–</u>

**6. DIVIDENDS**

	<b>Six months ended</b>	
	<b>30.9.2011</b> <b>(Unaudited)</b> <b>HK\$'000</b>	30.9.2010 <b>(Unaudited)</b> <b>HK\$'000</b>
Interim dividend proposed	<u>–</u>	<u>3,058</u>
Dividends recognised as distribution:		
2011 Final dividend of HK0.10 cent (2010: HK0.08 cent) per share	<u><b>10,194</b></u>	<u>8,155</u>

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2011 (2010: HK0.03 cent per share).

**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>30.9.2011</b>	30.9.2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Earnings for the purposes of basic earnings per share (profit for the period)	<u><b>20,649</b></u>	<u>41,666</u>
	<b>30.9.2011</b>	30.9.2010
<b>Number of shares</b>		
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 or prior period.

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

During the period, the Group spent approximately HK\$36,934,000 (for the six months period ended 30 September 2010: HK\$45,787,000) to acquire property, plant and equipment.

**9. DEPOSITS FOR INVESTMENTS**

During the six months ended 30 September 2011, an additional deposit of RMB13,750,000 (approximately HK\$16,954,000) was paid for the acquisition of 60% equity interest in 清遠市中清房地產開發有限公司 (“中清房地產”).

As at 30 September 2011, the Group had paid in aggregate RMB19,750,000 (approximately HK\$24,094,000) and RMB1,600,000 (approximately HK\$1,884,000) in acquisition of 60% equity interest in 中清房地產 and 20% equity interest in 四川英華房地產有限公司 (“英華房地產”) respectively. 中清房地產 and 英華房地產 are principally engaged in property investment in the People's Republic of China (the “PRC”). The transaction has not yet been completed by the date of authorisation of this report due to but not limited to awaiting the approval from the PRC Government on changes in shareholdings. Also, the final consideration for both of these acquisitions have not yet been fixed.

**10. TRADE RECEIVABLES**

The Group's credit terms for 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 for the distribution of movies are determined on a project by project basis. The following is 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>30.9.2011</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31.3.2011 (Audited) HK\$'000
Printing operation:		
0 – 30 days	<b>128,856</b>	100,567
31 – 60 days	<b>45,371</b>	5,986
61 – 90 days	<b>11,541</b>	2,997
Over 90 days	<b>3,523</b>	1,906
	<b>189,291</b>	111,456

The period from June to September is the high season for the printing operation. As a result, trade receivables as at 30 September 2011 are significantly higher than at 31 March 2011.

	<b>30.9.2011</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31.3.2011 (Audited) HK\$'000
Music and entertainment operation:		
0 – 45 days	<b>2,219</b>	4,331
46 – 90 days	<b>1,358</b>	1,641
91 – 180 days	<b>972</b>	25
181 – 365 days	<b>–</b>	7
	<b>4,549</b>	6,004
Total trade receivables	<b>193,840</b>	117,460

**11. OTHER RECEIVABLES AND PREPAYMENTS**

The following is the details of other receivables and prepayments at the end of the reporting period:–

	<b>30.9.2011</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31.3.2011 (Audited) HK\$'000
Loans receivables	<b>52,710</b>	40,244
Refundable land bid auction deposits	<b>60,156</b>	–
Other deposits, prepayments and receivables	<b>28,109</b>	24,973
	<b>140,975</b>	65,217

The loans receivables are unsecured and granted to independent third parties bearing fixed interest rate ranged from 5.56% to 6.65% (31 March 2011: 5.25%) per annum and repayable within twelve-months from 30 September 2011.

Refundable land bid auction deposits are deposits made to Qing Yuen Government. The amount was fully refunded subsequent to the end of the reporting period.

**12. AMOUNTS DUE FROM RELATED COMPANIES**

Amounts due from related companies are unsecured, interest-free and repayable on demand. Dr. Suek Chai Kit, Christopher, who has significant influence over the Company, is one of the ultimate beneficial owners and has control over the related companies.

**13. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE**

On 21 July 2011, Brilliant Wise International Limited, a wholly-owned subsidiary of the Company, signed a sale and purchase agreement to dispose of its entire equity interest in Citicorp Development Limited (“Citicorp”) to an independent third party for a consideration of RMB24,480,000. The principal activity of Citicorp is holding an investment in an associate, 桂林九鋪香麒麟酒業有限公司. The disposal is expected to be completed before 31 March 2012. The assets and liabilities of Citicorp have been classified as a disposal group held for sale and are separately presented in the condensed consolidated statement of financial position.

The sale proceeds are expected to exceed the carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised.

The major classes of assets and liabilities of Citicorp as at 30 September 2011 are as follows:

	HK\$'000
Interests in an associate (classified as held for sale)	15,903
Other payables and accruals (associated with assets classified as held for sale)	(596)



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

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

	<b>30.9.2011</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31.3.2011 (Audited) HK\$'000
0 – 30 days	<b>41,100</b>	38,498
31 – 60 days	<b>24,819</b>	6,466
61 – 90 days	<b>450</b>	4,262
Over 90 days	<b>1,180</b>	2,300
	<b>67,549</b>	51,526
Accrued expenses and other payables	<b>33,385</b>	28,579
	<b>100,934</b>	80,105

As at 30 September 2011, machinery payable of approximately HK\$5 million was included in accrued expenses and other payables.

**15. BANK BORROWINGS**

The bank borrowings are unsecured bank import loans denominated in United States dollars. The borrowings carry interest at market rates ranging from 1.86% to 1.97% per annum and are repayable within one year.

During the period, the Group raised and repaid bank import loans of approximately HK\$17,011,000 and HK\$12,508,000 (six months period ended 30 September 2010: HK\$21,456,000 and HK\$18,243,000) respectively.

**16. DEFERRED TAXATION**

The following are the major deferred tax liabilities 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 2010	11,996	(300)	2,212	13,908
(Credit) charge to profit and loss for the period	(328)	36	(302)	(594)
At 30 September 2010	11,668	(264)	1,910	13,314
(Credit) charge to profit and loss for the period	443	40	(179)	304
At 31 March 2011	12,111	(224)	1,731	13,618
Credit to profit and loss for the period	–	–	(189)	(189)
At 30 September 2011	12,111	(224)	1,542	13,429

**16. DEFERRED TAXATION (Continued)**

At 30 September 2011, the Group has estimated unused tax losses of approximately HK\$29,398,000 (31.3.2011: HK\$25,955,000) available to offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$1,355,000 (31.3.2011: HK\$1,355,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$28,043,000 (31.3.2011: HK\$24,600,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

**17. SHARE CAPITAL**

	<b>Number of shares</b>	<b>Share capital HK\$'000</b>
Ordinary shares of HK\$0.005 each		
Authorised:		
At 1 April 2011 and 30 September 2011	100,000,000,000	500,000
Issued and fully paid:		
At 1 April 2011 and 30 September 2011	10,193,545,600	50,968

**18. EXTENSION OF PUT OPTION PERIOD**

On 16 June 2009, the Group acquired the entire equity interest in Neway Entertainment Limited and its subsidiaries (collectively referred to as the "Neway Entertainment Group") from Neway Enterprise Holdings Limited ("Neway Enterprise").

At the same time, Dr. SUEK Chai Kit, Christopher, who has control over Neway Enterprise, granted a put option ("Put Option") to the Group, exercisable at any time from the completion of the acquisition ("Completion") and ending on 1 July 2011 to require Dr. SUEK Chai Kit, Christopher to buy back the entire equity interest in Neway Entertainment Group at a consideration of HK\$65,000,000 and any investment cost contributed by the Group after the Completion. On 29 June 2011, Dr. SUEK Chai Kit, Christopher, agreed to extend the Put Option period to 1 July 2012. All other terms of Put Option remained unchanged.

The fair value of Put Option has been remeasured at the date of extension to the Put Option period using the Black-Scholes option pricing model at HK\$14,222,000. The fair value of the Put Option upon the extension of the Put Option period is considered a deemed contribution and credited to equity.

**19. CAPITAL COMMITMENTS**

	<b>30.9.2011 (Unaudited) HK\$'000</b>	31.3.2011 (Audited) HK\$'000
Capital expenditure contracted for but not provided for in the condensed consolidated financial statements in respect of:		
– property, plant and equipment	–	25,269
– land use rights in the PRC	11,733	11,421

**20. RELATED PARTY TRANSACTIONS**

- (a) During each of the six month periods ended 30 September 2011 and 2010, the Group entered into the following significant transactions with related companies. The outstanding balances with related parties are shown in Note 12.

	<b>30.9.2011</b> <b>(Unaudited)</b> <b>HK\$'000</b>	30.9.2010 (Unaudited) HK\$'000
Income:		
Sales of goods ( <i>Note i</i> )	<b>153</b>	300
Song license fee income ( <i>Note i</i> )	<b>1,940</b>	620
Promotion income ( <i>Note i</i> )	<b>1,396</b>	2,670
Expenses:		
Office rental expenses ( <i>Note i</i> )	<b>180</b>	180
Premise rental expenses ( <i>Note ii</i> )	<b>420</b>	420

*Notes:*

- (i) The transactions were carried out with related companies beneficially owned and controlled by Dr. Suek Chai Kit, Christopher, a shareholder who can exercise significant influence over the Company.
- (ii) The transaction was carried out with another related company, a company beneficially owned and controlled by the spouse and sons of Dr. Suek Chai Kit, Christopher.

Also, as disclosed in Note 18, the Group has entered a supplemental agreement with Dr. Suek Chai Kit, Christopher to extend the exercisable period of the Put Option by one year to 1 July 2012.

**(b) Compensation of key management personnel**

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

	<b>30.9.2011</b> <b>(Unaudited)</b> <b>HK\$'000</b>	30.9.2010 (Unaudited) HK\$'000
Short-term benefits	<b>3,155</b>	4,592
Post-employment benefits	<b>66</b>	98
	<b>3,221</b>	4,690

**21. EVENT AFTER THE REPORTING PERIOD**

On 25 October 2011, the Group completed the acquisition of a piece land located at Qing Yuan in the PRC. The Group had paid HK\$35,840,000 as deposits for the land use right as at 30 September 2011. The deposits have been transferred to prepaid lease payments upon the completion of acquisition of the land use rights.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2011 (2010: HK0.03 cent per share).

## **REVIEW OF FINANCIAL RESULTS**

For the six months ended 30 September 2011, turnover of the Group amounted to HK\$392.8 million (six months ended 30 September 2010: HK\$373.9 million), increased by 5.1% over the same period last year.

The gross profit for the period under review amounted to HK\$79.6 million (six months ended 30 September 2010: HK\$83.7 million). The gross margin has decreased slightly by 2.1% to 20.3% from 22.4% for the same period last year.

Distribution costs increased by approximately 9.0% to HK\$15.1 million (six months ended 30 September 2010: HK\$13.9 million). The increase was mainly attributable to the increase in staff cost and was in line with the increase in turnover. Administrative expenses increased by 13.9% to HK\$44.5 million from HK\$39.1 million for the corresponding period last year. The increase in administrative expenses was mainly attributable to the increase in staff costs, rental and associated expenses of the newly rented factory in China. Net profit decreased by 50.4% to HK\$20.6 million from HK\$41.7 million. Net profit margin for the period was 5.3% (six months ended 30 September 2010: 11.1%).

## **REVIEW OF OPERATIONS AND PROSPECTS**

### **Printing businesses**

During the period ended 30 September 2011, turnover increased by 4.3% to HK\$382.3 million as compared with the same period of last year. The increase in turnover was mainly attributable to the increased orders from both overseas and Chinese markets placed by existing and new customers. The Group will continue to explore new business opportunities in the Chinese market and maintain the sales levels for overseas markets.

During the first half of the financial year 2011/2012, the Group continued to face challenges of surging material cost, appreciation of Renminbi against Hong Kong dollar, increased labour cost due to the implementation of new minimum wages imposed by the Chinese government in 2011, and increased operating cost incurred by the newly rented factory in China. Gross margin has decreased slightly by 1.1% to 21.8% from 22.9% for the same period last year. Segment profit for the period decreased to HK\$24.5 million (six months ended 30 September 2010: HK\$40.8 million). The decreases in gross margin and segment profit were mainly due to the increased material costs, labour cost in both Hong Kong and the PRC and rental and utility expenses incurred by the newly rented factory for the domestic market during the period.

In order to tackle these challenges, the Group will adopt a new tightening cost control policy to reduce the operating costs and strive to bargain a more advantageous price on raw material with suppliers to maintain the profitability of the Group. Besides, the Group will carefully monitor and adjust its sales strategies and resources pooled to overseas and Chinese markets in view of the current ever-changing global economic environment.

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

### **Music and entertainment businesses**

Revenue for the period ended 30 September 2011 increased by 45.8% to HK\$10.5 million as compared to the same period last year. Our revenue mainly consisted of income from concerts and shows, artiste management income, album distribution income, various song licensing income and income from various promotion activities. Net profit margin has decreased by 8.1% to 7.1% from 15.2% for the corresponding period last year. The decrease in net profit margin of music and entertainment segment was mainly due to the absence of gain on disposal of film rights and other non-recurring promotion income received from a related party, recorded in the previous period.

The Group has continuously introduced new elements to the music and entertainment businesses. During the period, the Group has organized more music shows and concerts. Besides, the Group has invested in concerts organized by other entertainment groups, thus leading to a leap in the turnover attributable by shows and events. During the period, the Group has devoted more resources to strengthen its artiste management business and song licensing business which contributed higher margin to the Group.

The Group will continue to organise more shows and concerts and seek for co-operation opportunities with different entertainment groups. Besides, the Group will deploy resources to those entertainment projects with higher profit margin and huge market potentials and will continue to identify talented artists in the future.

### **Other operating income**

Other operating income for the period ended 30 September 2011 decreased sharply by 99.5% to approximately HK\$66,000 from HK\$12.1 million for the corresponding period last year. The decrease was mainly due to the absence of exchange gain arising from Australian deposits which the Group has already been converted into Hong Kong dollars before 31 March 2011, the absence of gain on disposal of film rights and bad debt recovered recorded in the previous period.

## **LIQUIDITY AND FINANCIAL POSITION**

As at 30 September 2011, the Group had approximately cash and cash equivalents of HK\$78.7 million. The current ratio stood at 5.2, indicating an ample cash flow and a stable liquidity position over the period under review. The Group's bank balances and cash and short-term bank deposits amounted to HK\$136.2 million (31 March 2011: HK\$316.7 million), after deducting bank borrowings of HK\$13.1 million (31 March 2011: HK\$8.6 million). The gearing ratio was 1.5% (31 March 2011: 1%), which is calculated on the basis of the Group's total borrowings of HK\$13.1 million (31 March 2011: HK\$8.6 million) and the shareholders' fund of HK\$862.9 million (31 March 2011: HK\$850.9 million).

As at 30 September 2011, the Group had working capital of HK\$503.1 million (31 March 2011: HK\$520.3 million), which comprised primarily inventories of HK\$118.6 million, trade and other receivables of HK\$334.8 million, bank balances, cash and short-term deposits of HK\$149.3 million, less trade and other payables of HK\$100.9 million, tax liabilities of HK\$4.8 million and bank borrowings of HK\$13.1 million.

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 the 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 2011.

## **HUMAN RESOURCES**

As at 30 September 2011, the total number of employees of the Group was approximately 2,800.

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 2011, 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**

<b>Name of director</b>	<b>Capacity</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the issued share capital of the Company</b>
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.

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

At 30 September 2011, CNA beneficially owned deferred non-voting shares in the following subsidiaries of the Company:

<b>Name of subsidiary</b>	<b>Name of owner</b>	<b>Number and par value of deferred non-voting shares</b>
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 2011.

## SUBSTANTIAL SHAREHOLDERS

At 30 September 2011, 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%
KF Suisse SA	Trustee	3,713,200,000 <sup>2</sup>	36.43%
David Henry Christopher Hill	Interest in a controlled corporation	3,713,200,000 <sup>2</sup>	36.43%
Rebecca Ann Hill	Interest of spouse	3,713,200,000 <sup>2,3</sup>	36.43%
Dr. SUEK Chai Kit, Christopher	Founder of trust	3,987,200,000 <sup>4</sup>	39.11%
Dr. NG Wai Yung	By attribution	3,987,200,000 <sup>5</sup>	39.11%

### Notes:

1. CNA is beneficially owned by a discretionary trust.
2. Out of these shares, 3,713,200,000 shares duplicate with those held by CNA.
3. Spouse of Mr. David Henry Christopher Hill.
4. 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.
5. Spouse of Dr. SUEK Chai Kit, Christopher, a substantial shareholder.



## 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 20 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 20 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 DIRECTORS

On 28 September 2011, an adjustment on the directors' remuneration has been reviewed and approved by the Board on recommendation of Remuneration Committee of the Company. Accordingly, pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), the changes in information of directors since the publication of the 2011 Annual Report of the Company are set out below:

Name of Directors	Particulars of Changes
Dr. NG Wai Kwan <i>(Non-executive director)</i>	Total annual remuneration increased by HK\$10,000 to HK\$60,000 with effect from 1 April 2011
Mr. WONG Sun Fat <i>(Non-executive director)</i>	Total annual remuneration increased by HK\$20,000 to HK\$70,000 with effect from 1 April 2011
Mr. TSE Tin Tai <i>(Independent non-executive director)</i>	Total annual remuneration increased by HK\$10,000 to HK\$60,000 with effect from 1 April 2011
Mr. CHENG Chi Wai <i>(Independent non-executive director)</i>	Total annual remuneration increased by HK\$20,000 to HK\$70,000 with effect from 1 April 2011
Ms. LUI Lai Ping, Cecily <i>(Independent non-executive director)</i>	Total annual remuneration increased by HK\$20,000 to HK\$70,000 with effect from 1 April 2011

Save as disclosed above, there is no other changes in the directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## **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 2011, 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 2011.

## **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 2011 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*

Hong Kong, 28 November 2011