



NEWAY GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00055)

**INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012**

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
Bank of China (Hong Kong) Limited
Industrial and Commercial
Bank of China (Asia) Limited
China Citic Bank International 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF NEWAY GROUP HOLDINGS LIMITED**

Introduction

We have reviewed the condensed consolidated financial statements of Neway Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 3 to 16, which comprise the condensed consolidated statement of financial position as at 30 September 2012 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 these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements 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 these condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 November 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	Notes	Six months ended	
		30.9.2012 (Unaudited) HK\$'000	30.9.2011 (Unaudited) HK\$'000
Revenue	3	371,061	392,819
Cost of sales		<u>(296,526)</u>	<u>(313,202)</u>
Gross profit		74,535	79,617
Interest income		2,409	2,104
Other income		1,093	111
Distribution costs		(15,219)	(15,107)
Administrative expenses		(47,342)	(44,486)
Other gains and losses		13,982	66
Finance costs		<u>(53)</u>	<u>(72)</u>
Profit before taxation		29,405	22,233
Taxation	4	<u>(2,141)</u>	<u>(1,584)</u>
Profit for the period	5	27,264	20,649
Other comprehensive income			
Exchange differences arising on translation of foreign operations		<u>1,800</u>	<u>1,600</u>
Total comprehensive income for the period		<u>29,064</u>	<u>22,249</u>
Profit for the period attributable to:			
Owners of the Company		27,285	20,649
Non-controlling interests		<u>(21)</u>	<u>—</u>
		<u>27,264</u>	<u>20,649</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		29,085	22,249
Non-controlling interests		<u>(21)</u>	<u>—</u>
		<u>29,064</u>	<u>22,249</u>
Basic earnings per share (HK cents)	7	<u>0.27</u>	<u>0.20</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2012

	<i>Notes</i>	30.9.2012 (Unaudited) HK\$'000	31.3.2012 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	<i>8</i>	243,653	255,965
Prepaid lease payments		32,917	33,404
Deposits for land use right		18,269	18,252
Intangible assets		7,041	8,190
Available-for-sale investments	<i>9</i>	23,250	7,760
Deposits for investments	<i>10</i>	24,543	23,664
Advance to a potential investee	<i>11</i>	74,058	–
		423,731	347,235
Current assets			
Inventories and record masters		92,947	90,701
Held-for-trading investment		815	840
Trade receivables, other receivables and prepayments	<i>12</i>	185,743	138,215
Prepaid lease payments		836	718
Amounts due from related companies	<i>12</i>	2,348	2,610
Tax recoverable		4,255	4,099
Short-term bank deposits		100,476	160,747
Cash and cash equivalents		143,290	122,604
		530,710	520,534
Assets classified as held for sale	<i>13</i>	–	15,903
		530,710	536,437
Current liabilities			
Trade payables, other payables and accruals	<i>14</i>	113,688	78,407
Tax liabilities		4,954	3,481
Bank borrowings	<i>15</i>	8,295	2,573
		126,937	84,461

		30.9.2012 (Unaudited) HK\$'000	31.3.2012 (Audited) HK\$'000
Liabilities associated with assets classified as held for sale	<i>13</i>	–	581
		<u>126,937</u>	<u>85,042</u>
Net current assets		<u>403,773</u>	451,395
Total assets less current liabilities		827,504	798,630
Non-current liability Deferred taxation	<i>16</i>	<u>12,196</u>	<u>12,386</u>
Net assets		<u>815,308</u>	<u>786,244</u>
Capital and reserves			
Share capital	<i>17</i>	50,968	50,968
Reserves		<u>764,538</u>	<u>735,453</u>
Total attributable to owners of the Company		815,506	786,421
Non-controlling interests		<u>(198)</u>	<u>(177)</u>
Total equity		<u>815,308</u>	<u>786,244</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	Attributable to owners of the Company									
	Share capital	Share premium	Deemed		Capital redemption reserve	Translation reserve	Retained profits	Total	Non- controlling interests	Total
			Put option reserve	contribution from a shareholder						
At 1 April 2011	50,968	210,950	(19,561)	19,561	63	46,811	542,084	850,876	-	850,876
Exchange differences arising on translation of foreign operations	-	-	-	-	-	1,600	-	1,600	-	1,600
Profit for the period	-	-	-	-	-	-	20,649	20,649	-	20,649
Total comprehensive income for the period	-	-	-	-	-	1,600	20,649	22,249	-	22,249
Dividends recognised as distribution	-	-	-	-	-	-	(10,194)	(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	-	-	(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>	<u>-</u>	<u>862,931</u>
At 1 April 2012	50,968	210,950	(14,222)	33,783	63	48,488	456,391	786,421	(177)	786,244
Exchange differences arising on translation of foreign operations	-	-	-	-	-	1,800	-	1,800	-	1,800
Profit for the period	-	-	-	-	-	-	27,285	27,285	(21)	27,264
Total comprehensive income for the period	-	-	-	-	-	1,800	27,285	29,085	(21)	29,064
Transfer to retained profits upon the expiry of Put Option ended on 1 July 2012	-	-	14,222	-	-	-	(14,222)	-	-	-
Recognition of shareholder contribution upon the extension of the Put Option Period (Note 18)	-	-	(58,103)	58,103	-	-	-	-	-	-
At 30 September 2012	<u>50,968</u>	<u>210,950</u>	<u>(58,103)</u>	<u>91,886</u>	<u>63</u>	<u>50,288</u>	<u>469,454</u>	<u>815,506</u>	<u>(198)</u>	<u>815,308</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	Six months ended	
	30.9.2012	30.9.2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash from (used in) operating activities	15,825	(44,933)
Net cash used in investing activities:		
Interest received	2,409	2,104
Deposit paid for land use right	–	(8,679)
Deposit paid for land bid auction	–	(60,156)
Deposit paid for investment	–	(16,954)
Advance to a potential investee	(74,058)	–
Purchases of property, plant and equipment	(4,128)	(28,732)
Disposal of property, plant and equipment	30	16
Purchases of available-for-sale investments	(15,490)	–
Disposal of a subsidiary	29,754	–
Placement of short term bank deposits	(53,273)	(180,923)
Withdrawal of short term bank deposits	113,544	296,263
Increase in short-term loan receivables	–	(12,466)
	(1,212)	(9,527)
Net cash from (used in) financing activities:		
Dividends paid	–	(10,194)
New bank import loans raised	15,954	17,011
Repayment of bank import loans	(10,232)	(12,508)
Other financing cash flows	(53)	(72)
	5,669	(5,763)
Net increase (decrease) in cash and cash equivalents	20,282	(60,223)
Cash and cash equivalents at the beginning of the period	122,604	139,380
Effect of foreign exchange differences	404	(441)
Cash and cash equivalents at the end of the period represented by	143,290	78,716
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	143,290	78,716

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

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 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2012.

In the current period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by HKICPA:

HKAS 12 (Amendments)	Deferred tax – Recovery of underlying assets
HKFRS 7 (Amendments)	Financial instruments: Disclosures – Transfers of financial assets

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

Segment information is presented based on internal reports to the Company’s executive 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, investment in teleplays, cultural and entertainment project (“Music and entertainment”).

3. SEGMENT INFORMATION (Continued)

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 (loss)	
	Six-month period ended		Six-month period ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Printing	362,532	380,702	18,217	25,022
Music and entertainment	8,529	12,117	(1,153)	(472)
Total	<u>371,061</u>	<u>392,819</u>	17,064	24,550
Interest income			2,409	2,104
Unallocated corporate expenses			(5,081)	(4,706)
Gain on disposal of a subsidiary			14,432	–
Net foreign exchange gain			606	285
Change in fair value of held-for-trading investments			(25)	–
Profit before taxation			<u>29,405</u>	<u>22,233</u>

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

Segment profit (loss) represents the profit earned by/loss from each segment without allocation of interest income, unallocated corporate expenses, gain on disposal of a subsidiary, net foreign exchange gain and change in fair value of held-for-trading investments. This is the measure reported to the Group's executive directors for the purposes of resource allocation and assessment of segment performance.

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

	30.9.2012	31.3.2012
	HK\$'000	HK\$'000
Printing	563,318	524,646
Music and entertainment	22,353	20,613
Total segment assets	585,671	545,259
Unallocated assets	368,770	322,510
Assets classified as held for sale	954,441	867,769
	–	15,903
Consolidated assets	<u>954,441</u>	<u>883,672</u>

4. TAXATION

	Six months ended	
	30.9.2012	30.9.2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
The charge comprises:		
Current tax for the period:		
Hong Kong	2,297	1,616
Other jurisdictions	34	157
	<hr/>	<hr/>
	2,331	1,773
Deferred taxation (<i>Note 16</i>):		
Current period	(190)	(189)
	<hr/>	<hr/>
	2,141	1,584
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the period ended 30 September 2012 and 30 September 2011.

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

5. PROFIT FOR THE PERIOD

	Six months ended	
	30.9.2012	30.9.2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
Profit for the period has been arrived at after charging (crediting):		
Amortisation of intangible assets	1,149	1,149
Net foreign exchange gain (included in other gains and losses)	(606)	(285)
Depreciation of property, plant and equipment	14,628	15,392
Amortisation of prepaid lease payments	369	45
Allowance for bad and doubtful debts (included in other gains and losses)	905	–
Change in fair value in held-for-trading investment (included in other gains and losses)	25	219
Loss on disposal of property, plant and equipment (included in other gains and losses)	126	–
Gain on disposal of a subsidiary (included in other gains and losses)	(14,432)	–
Reversal of written down of inventory (included in cost of sales)	(1,239)	–
	<hr/> <hr/>	<hr/> <hr/>

6. DIVIDENDS

	Six months ended	
	30.9.2012	30.9.2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividends recognised as distribution:		
Final dividend for the year ended 31 March 2011 of HK0.10 cent per share	<u> -</u>	<u> 10,194</u>

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2012 and 30 September 2011.

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:

	Six months ended	
	30.9.2012	30.9.2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings for the purpose of basic earnings per share (profit for the period)	<u> 27,285</u>	<u> 20,649</u>
	30.9.2012	30.9.2011
Number of shares		
Number of shares in issue for the purpose of basic earnings per share	<u> 10,193,545,600</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\$2,230,000 (for the six months period ended 30 September 2011: HK\$36,934,000) to acquire property, plant and equipment.

9. AVAILABLE-FOR-SALE INVESTMENTS

The amounts represent investments in unlisted equity securities issued by a private entity incorporated in the Republic of Korea. During the six months ended 30 September 2012, the Group acquired additional shares in the same private entity from an independent third party, with a consideration of HK\$15,490,000. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

10. DEPOSITS FOR INVESTMENTS

As at 30 September 2012, the Group had paid in aggregate RMB19,379,000 (approximately HK\$24,543,000) (31 March 2012: HK\$23,664,000) 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”). 中清房地產 is principally engaged in the property investment in the People's Republic of China (the “PRC”). The completion of the acquisition is subject to the approval from the Ministry of Commerce of the PRC.

11. ADVANCE TO A POTENTIAL INVESTEE

During the six months ended 30 September 2012, the Group signed a sale and purchase agreement with an independent third party to acquire 40% equity interest in 匯金泛亞 (福建) 有限公司 (“匯金泛亞”) with zero consideration. The acquisition is not completed as at 30 September 2012. The completion of the acquisition is subject to the approval from the Ministry of Commerce of the PRC. If the acquisition is completed, the Group and other two shareholders each hold 40%, 35% and 25%, respectively, in 匯金泛亞. 匯金泛亞 did not commence business as at 30 September 2012.

Subsequent to entering the sale and purchase agreement, the Group and other two existing shareholders advanced RMB60,000,000 (approximately HK\$74,058,000), RMB52,500,000 (approximately HK\$64,815,000) and RMB37,500,000 (approximately HK\$46,296,000) to 匯金泛亞 during the six months ended 30 September 2012.

12. FINANCIAL ASSETS

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.

	30.9.2012 (Unaudited) HK\$'000	31.3.2012 (Audited) HK\$'000
Printing operation:		
0 – 30 days	156,226	96,057
31 – 60 days	15,264	9,599
61 – 90 days	1,357	9,862
Over 90 days	711	571
	173,558	116,089
Music and entertainment operation:		
0 – 45 days	2,388	2,763
46 – 90 days	–	110
91 – 180 days	–	16
	2,388	2,889
Total trade receivables	175,946	118,978
Deposits, prepayments and other receivables	9,797	19,237
	185,743	138,215

The period from June to September is the high season for the printing operation. As a result, trade receivables as at 30 September 2012 are significantly higher than at 31 March 2012.

During the six months ended 30 September 2012, trade receivables of printing operation of HK\$905,000 (for the six months ended 30 September 2011: nil) are individually impaired which have been in financial difficulties in repaying the outstanding balances. The Group does not hold any collateral over these balances.

12. FINANCIAL ASSETS (Continued)

Amounts due from related companies are unsecured and interest-free. Dr. SUEK Chai Kit, Christopher, who can exercise significant influence over the Company, is the controlling shareholder of the related company. The Group's credit terms to the related company is 30 days.

13. DISPOSAL OF A SUBSIDIARY/NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 21 July 2011, Brilliant Wise International Limited ("BWIL"), 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"), a wholly-owned subsidiary, to an independent third party. The principal asset of Citicorp is investment in an associate. Such transaction is finally lapsed in December 2011 because the purchaser cannot fulfil the condition in the sale and purchase agreement before the expected completion date. In February 2012, BWIL entered into another sale and purchase agreement with another independent third party to dispose of its entire equity interest in Citicorp at a consideration of RMB24,480,000 (approximately HK\$29,754,000). The disposal has not been completed as at 31 March 2012, and the assets and liabilities of Citicorp have been classified as held for sale and were separately presented in the consolidated statement of financial position. During the six months ended 30 September 2012, the transaction is completed and a gain on disposal of HK\$14,432,000 is recognised to profit or loss. The associate is principally engaged in cultural and entertainment business in the PRC.

The major classes of assets and liabilities of Citicorp as at 31 March 2012 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)	(581)

14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

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

	30.9.2012 (Unaudited) HK\$'000	31.3.2012 (Audited) HK\$'000
0 – 30 days	36,531	30,903
31 – 60 days	33,690	9,085
61 – 90 days	19,088	1,540
Over 90 days	1,786	1,493
	91,095	43,021
Accrued expenses and other payables	22,593	35,386
	113,688	78,407

As at 30 September 2012, machinery payable of approximately HK\$3,270,000 (31 March 2012: HK\$5,168,000) was included in accrued expenses and other payables.

15. BANK BORROWINGS

The bank borrowings are secured bank import loans denominated in United States dollars. The carry interest at market rates ranging from 1.86% to 1.97% (31 March 2012: 1.8% to 2.2%) per annum and are repayable within one year.

During the period, the Group raised and repaid bank import loans of approximately HK\$15,954,000 and HK\$10,232,000 (six months ended 30 September 2011: HK\$17,011,000 and HK\$12,508,000) respectively.

16. DEFERRED TAXATION

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Intangible assets HK\$'000	Total HK\$'000
At 1 April 2011	12,111	(224)	1,731	13,618
Credit to profit and loss for the period	<u>–</u>	<u>–</u>	<u>(189)</u>	<u>(189)</u>
At 30 September 2011	12,111	(224)	1,542	13,429
(Credit) charge to profit and loss for the period	<u>(915)</u>	<u>63</u>	<u>(191)</u>	<u>(1,043)</u>
At 31 March 2012	11,196	(161)	1,351	12,386
Credit to profit and loss for the period	<u>–</u>	<u>–</u>	<u>(190)</u>	<u>(190)</u>
At 30 September 2012	<u><u>11,196</u></u>	<u><u>(161)</u></u>	<u><u>1,161</u></u>	<u><u>12,196</u></u>

At 30 September 2012, the Group has estimated unused tax losses of approximately HK\$54,973,000 (31 March 2012: HK\$49,628,000) available to offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$976,000 (31 March 2012: HK\$1,351,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$53,997,000 (31 March 2012: HK\$48,277,000) due to the unpredictability of future profit streams. Included in unused tax losses of HK\$6,278,000 (31 March 2012: HK\$11,000,000) that will expire by 2017. Other losses may be carried forward indefinitely.

17. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.005 each		
Authorised:		
At 1 April 2012 and 30 September 2012	<u>100,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1 April 2012 and 30 September 2012	<u>10,193,545,600</u>	<u>50,968</u>

18. EXTENSION OF PUT OPTION PERIOD

On 16 June 2009, the Group acquired the entire equity interest in Neway Entertainment Limited (“Neway Entertainment”) 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 controlled Neway Enterprise prior to the Group’s acquisition, granted a put option (“Put Option”) to the Group, exercisable at any time from the completion of the acquisition (“Completion”) to 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 and on 29 June 2012, Dr. SUEK Chai Kit, Christopher, agreed to further extend the Put Option period to 1 April 2013. All other terms of the Put Option remained unchanged.

The fair value of the Put Option has been re-measured on the date of extension using the Black-Scholes option pricing model at HK\$58,103,000. The fair value of the Put Option upon the extension of the Put Option period is considered as a deemed contribution from the shareholder and is credited to reserve.

The following assumptions were used to calculate the fair value of Put Option.

Share price (<i>Note i</i>)	HK\$8,831,000
Exercise price	HK\$67,000,000
Expected life of options	0.75 year
Expected volatility (<i>Note ii</i>)	40%
Expected dividend yield	0%
Risk free rate	0.13%

The Black-Scholes option pricing model requires the input of highly subjective assumption, including the volatility of share price. The changes in subjective input assumptions can materially affect the fair value estimate.

Notes:

- (i) The share price is the equity value of Neway Entertainment, which is determined based on the future discounted cashflow of Neway Entertainment.
- (ii) The expected volatility of the Put Option based on the historical daily share price movements of a set of comparable companies over a historical period of 0.75 year.

19. CAPITAL COMMITMENTS

	30.9.2012	31.3.2012
	(Unaudited)	(Audited)
	HK\$’000	HK\$’000
Capital expenditure contracted for but not provided for in the condensed consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	–	10,389
– prepaid lease payments in the PRC	13,657	12,838
	13,657	23,227

20. RELATED PARTY TRANSACTIONS

- (a) During each of the six month periods ended 30 September 2012 and 2011, the Group had entered into the following significant transactions with related companies:

	30.9.2012 (Unaudited) HK\$'000	30.9.2011 (Unaudited) HK\$'000
<i>Income:</i>		
Sales of goods (<i>Note i</i>)	229	153
Song license fee income (<i>Note i</i>)	1,605	1,940
Promotion income (<i>Note i</i>)	746	1,396
<i>Expenses:</i>		
Office rental expenses (<i>Note i</i>)	180	180
Premise rental expenses (<i>Note ii</i>)	500	420

Notes:

- (i) The transactions were carried out with related companies which are 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 controlled 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:

	30.9.2012 (Unaudited) HK\$'000	30.9.2011 (Unaudited) HK\$'000
Short-term benefits	3,111	3,155
Post-employment benefits	77	66
	3,188	3,221

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2012 (2011: Nil).

REVIEW OF FINANCIAL RESULTS

For the six months ended 30 September 2012, turnover of the Group amounted to HK\$371.1 million (six months ended 30 September 2011: HK\$392.8 million), decreased by 5.5% as compared with the same period last year.

Gross profit for the period under review amounted to HK\$74.5 million (six months ended 30 September 2011: HK\$79.6 million). Gross margin has decreased slightly by 0.2 percentage point to 20.1% from 20.3% for the same period last year.

Administrative expenses increased by 6.4% to HK\$47.3 million from HK\$44.5 million for the corresponding period last year. The increase in administrative expenses was mainly attributable to the increase in staff costs, increase in government handling fee charged by the PRC government for the processing factory situated in Shenzhen and increase in traveling expenses. Net profit increased by 32.0% to HK\$27.3 million from HK\$20.6 million. Net profit margin for the period was 7.4% (six months ended 30 September 2011: 5.3%). The increase in net profit margin was mainly attributable to the gain from the disposal of a subsidiary which principally engaged in cultural and entertainment business in the PRC.

REVIEW OF OPERATIONS AND PROSPECTS

Printing businesses

During the period ended 30 September 2012, turnover decreased by 4.8% to HK\$362.5 million as compared with the same period last year. The decrease in turnover was mainly attributable to the decrease in export sales, which was partially offset by the increase in domestic sales during the period. The decrease in export sales was mainly due to the decrease in sales orders placed by overseas customers, which was a result of the drop in market demand in overseas countries. The Group will continue to develop the Chinese market and obtain more new customers to compensate for the decrease in sales orders of the existing customers in the overseas market.

During the first half of the financial year 2012/2013, the Group faced the persistent challenges of surging material costs and of increased labour costs brought by the implementation of new minimum wages imposed by the Chinese government in 2012. Segment profit for the period decreased to HK\$18.2 million (six months ended 30 September 2011: HK\$25.0 million). The decreases in gross margin and segment profit were mainly due to the decrease in export sales orders, increased in material costs and staff costs, during the period.

In order to meet these challenges, the Group will continue to adjust its purchasing strategy, adopt stringent cost control policy to reduce the operating costs, and boost the production efficiency of the PRC factories. The management will closely monitor and regularly evaluate the result of these tightened policies, and make necessary adjustments in a timely manner.

REVIEW OF OPERATIONS AND PROSPECTS (Continued)

Music and entertainment businesses

Revenue for the period ended 30 September 2012 decreased by 29.6% to HK\$8.5 million as compared with the same period last year. The decrease in revenue was mainly attributable to the decrease in shows and concert income and album distribution income. Our revenue mainly consisted of income from concerts and shows, artiste management income, album distribution income, songs licensing income, income from various promotion activities and investment income from teleplay. Segment loss has increased by 144.3% to HK\$1.2 million from HK\$0.5 million for the corresponding period last year. The increase in loss of the music and entertainment segment was mainly attributable to the decrease in album distribution income and the fact that new albums were released close to the period ended 30 September 2012 of which the revenue was not fully reflected during the period.

During the period, the Group maintained a stable growth in licensing and artiste management businesses. Furthermore, the Group has recorded an investment income arising from two teleplays invested in the PRC in previous years.

The Group will go on seeking co-operation opportunities with different entertainment groups and enlarge our establishment in the PRC. Besides, the Group will deploy additional resources to those entertainment projects with higher profit margin and huge market potential, and will continue to identify talented artists in the future.

Other gains and losses

Other gains and losses for the period ended 30 September 2012 increased sharply to HK\$14.0 million from HK\$66,000 for the corresponding period last year. The increase was mainly attributable to the gain from the disposal of a subsidiary which principally engaged in cultural and entertainment businesses in the PRC.

LIQUIDITY AND FINANCIAL POSITION

As at 30 September 2012, the Group had cash and cash equivalents of approximately HK\$143.3 million. Current ratio stood at 4.2, indicating an ample cash flow and a stable liquidity position during the period under review. The Group's bank balances and cash and short-term bank deposits, after deducting bank borrowings of HK\$8.3 million (31 March 2012: HK\$2.6 million), amounted to HK\$235.5 million (31 March 2012: HK\$280.8 million). Gearing ratio, which is calculated on the basis of the Group's total borrowings of HK\$8.3 million (31 March 2012: HK\$2.6 million) and shareholders' fund of HK\$815.3 million (31 March 2012: HK\$786.2 million), was 1.0% (31 March 2012: 0.3%).

As at 30 September 2012, the Group had a working capital of HK\$403.8 million (31 March 2012: HK\$451.4 million), which primarily comprised inventories of HK\$92.9 million, trade and other receivables of HK\$185.7 million, and cash and cash equivalents and short-term deposits of HK\$243.8 million, less trade and other payables of HK\$113.7 million, tax liabilities of HK\$5.0 million and bank borrowings of HK\$8.3 million.

LIQUIDITY AND FINANCIAL POSITION (Continued)

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 was not significant during the period under review. The management monitors the foreign exchange exposure for Renminbi and will consider hedging significant foreign exchange exposure should the need arises. During the period, the Group did not use any financial instruments for hedging purpose and did not have any outstanding hedging instruments as at 30 September 2012.

HUMAN RESOURCES

As at 30 September 2012, the total number of employees of the Group was approximately 2,550 (30 September 2011: 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.

**MATERIAL ACQUISITIONS DURING THE SIX MONTHS ENDED
30 SEPTEMBER 2012**

During the six months ended 30 September 2012, the Group signed a sale and purchase agreement with an independent third party to acquire 40% equity interest in 匯金泛亞(福建)有限公司 (“匯金泛亞”) at zero consideration. Upon completion of such acquisition, the Group and the other two shareholders each hold 40%, 35% and 25%, respectively, in 匯金泛亞. 匯金泛亞 did not commence business as at 30 September 2012. Subsequent to entering the sale and purchase agreement, the Group and the other two existing shareholders advanced RMB60,000,000 (approximately HK\$74,058,000), RMB52,500,000 (approximately HK\$64,815,000) and RMB37,500,000 (approximately HK\$46,296,000) to 匯金泛亞 during the six months ended 30 September 2012.

During the six months ended 30 September 2012, the Group acquired additional unlisted equity securities issued by a private entity incorporated in the Republic of Korea from an independent third party, with a consideration of HK\$15,490,000.

The Directors noted that the abovementioned transactions had constituted notifiable transactions for the Company under Chapter 14 of the Listing Rules. However, the Company had not complied with the applicable requirements under Chapter 14 of the Listing Rules at the time of entering into of such transactions. The Company is in the course of preparing an announcement containing details of these transactions and will publish such announcement as soon as practicable.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2012, 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

Name of director	Capacity	Number of ordinary shares held	Percentage of the issued share capital of the Company
Mr. SUEK Ka Lun, Ernie	Other interests (<i>Note</i>)	3,713,200,000	36.43%
Mr. SUEK Chai Hong	Beneficial owner	70,000,000	0.09%
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 2012, 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 2012.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2012, 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 ¹	36.43%
Fiducia Suisse SA	Trustee	3,713,200,000 ²	36.43%
David Henry Christopher Hill	Interest in a controlled corporation	3,713,200,000 ²	36.43%
Rebecca Ann Hill	Interest of spouse	3,713,200,000 ^{2,3}	36.43%
Dr. SUEK Chai Kit, Christopher	Founder of trust	3,987,200,000 ⁴	39.11%
Dr. NG Wai Yung	By attribution	3,987,200,000 ⁵	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

In accordance with 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 2012 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\$70,000 with effect from 1 April 2012
Mr. TSE Tin Tai <i>(Independent non-executive director)</i>	Total annual remuneration increased by HK\$10,000 to HK\$70,000 with effect from 1 April 2012

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 Listing Rules 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 2012, 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 2012.

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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board recognises that good corporate governance practices are vital to the maintenance and promotion of shareholder value and investor confidence and has introduced corporate governance practices appropriate to the conduct and growth of our business.

During the six months ended 30 September 2012, the Company has complied with all code provisions ("Code Provision(s)") as set out in the Corporate Governance Code ("CG Code") (effective from 1 April 2012) contained in Appendix 14 to the Listing Rules, with the exception of Code Provisions A.2.1, A.4.1, A.5.1 to A.5.4, A.6.7, D.1.2 and D.1.4 of the CG Code as explained below:

Code Provision A.2.1 of the CG Code

Under Code Provision A.2.1 of the CG Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The position of the chairman and chief executive of the Company are held by separate persons in order to preserve independence and a balanced judgement of views. The chairman is responsible for the effective functioning of the Board in accordance with good corporate governance practices and is also responsible for chairing the meetings and managing the operations of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. The chief executive is responsible for running the Company's businesses and developing and implementing the Group's strategic plans and business goals.

The Board considers that the respective responsibilities of the chairman and the chief executive are clear and distinctive and hence written terms thereof are not necessary.

Code Provision A.4.1 of the CG Code

None of the existing non-executive directors are appointed for a specific term but they are subject to retirement by rotation once every three years in accordance with the Company's bye-laws.

Code Provisions A.5.1 to A.5.4 of the CG Code

The Board has not established a nomination committee at present. The Board is responsible for reviewing the structure, size and composition of the Board from time to time, and considers the determination of the appointment and removal of directors to be the Board's collective decision. The Board will identify individuals suitably qualified to become board members when necessary. The Board considers potential directorship based on the candidate's qualification, expertise, experience and knowledge as well as the requirements under the Listing Rules.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (Continued)

Code Provision A.6.7 of the CG Code

All non-executive directors and independent non-executive directors attended the Annual General Meeting of the Company held on 5 September 2012 (the “AGM”), except for a non-executive director and two independent non-executive directors (including the Chairman of the Audit Committee) who were unable to attend the AGM as they had other business commitments.

Code Provision D.1.2 of the CG Code

The Company has not formalized and adopted any written terms on the division of functions reserved to the Board and those delegated to the management. In practice, the Board takes responsibility for making decision on major matters of the Company while the day-to-day management, administration and operation of the Company are delegated to the senior executives. The delegated functions and work tasks are periodically reviewed.

Code Provision D.1.4 of the CG Code

There are no formal letters of appointment for directors setting out the key terms and conditions of their appointment. It is not the Company’s practice to have letters of appointment for directors. Nevertheless, the directors understand their duties to the Company, for which they are collectively and individually responsible.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 September 2012 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, 19 November 2012