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NEWAY GROUP HOLDINGS LIMITED

中星集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00055)

GROUP INTERIM RESULTS

The board (“**Board**”) of directors (“**Directors**”) of Neway Group Holdings Limited (“**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (“**Group**”) for the six months ended 30 September 2014 (“**Period**”), together with comparative figures for the corresponding period of the previous year as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

	NOTE	Six months ended	
		30.9.2014 (Unaudited) HK\$'000	30.9.2013 (Unaudited) HK\$'000
Revenue	3	296,529	358,681
Cost of sales		(250,504)	(268,925)
Gross profit		46,025	89,756
Interest income		2,654	2,127
Other income		644	565
Selling and distribution expenses		(15,936)	(17,853)
Administrative expenses		(55,424)	(56,043)
Other gains and losses		2,382	(4,638)
Finance costs		(347)	(78)
Share of profit of a joint venture		282	–

* For identification purpose only

	<i>NOTES</i>	Six months ended	
		30.9.2014 (Unaudited) HK\$'000	30.9.2013 (Unaudited) HK\$'000
(Loss) profit before taxation		(19,720)	13,836
Taxation	4	<u>(648)</u>	<u>(2,520)</u>
(Loss) profit for the period	5	<u>(20,368)</u>	<u>11,316</u>
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		4,702	4,895
Item that will not be reclassified subsequently to profit or loss:			
Surplus on transfer from property, plant and equipment to investment properties		<u>49,362</u>	<u>–</u>
Other comprehensive income for the period		<u>54,064</u>	<u>4,895</u>
Total comprehensive income for the period		<u>33,696</u>	<u>16,211</u>
(Loss) profit for the period attributable to:			
Owners of the Company		(20,030)	11,430
Non-controlling interests		<u>(338)</u>	<u>(114)</u>
		<u>(20,368)</u>	<u>11,316</u>
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		34,065	16,113
Non-controlling interests		<u>(369)</u>	<u>98</u>
		<u>33,696</u>	<u>16,211</u>
Basic (loss) earnings per share (<i>HK cents</i>)	7	<u>(1.89)</u>	<u>1.12</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2014

		30.9.2014	31.3.2014
		(Unaudited)	(Audited)
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	8	209,092	226,343
Prepaid lease payments		31,523	31,938
Investment properties	8	74,649	–
Deposits for land use rights		18,309	18,290
Intangible assets		5,318	5,318
Available-for-sale investments	9	16,789	23,739
Loan to an available-for-sale investee	9	32,404	30,995
Derivative financial instrument		6,268	6,268
Loan to a joint venture		5,301	3,976
Interest in a joint venture		258	–
Advances to potential investee		–	24,975
Deposit paid for acquisition of property, plant and equipment		–	10,599
		399,911	382,441
Current assets			
Inventories and record masters		76,685	80,101
Properties under development for sale		47,162	46,370
Held-for-trading investments		2,237	25,669
Available-for-sale investment	9	7,500	–
Trade and other receivables, prepayments and deposits	10	158,149	125,504
Advances to potential investee		25,250	–
Prepaid lease payments		726	717
Amount due from a related company	10	2,815	4,034
Tax recoverable		1,447	619
Short-term bank deposits		119,689	104,754
Cash and cash equivalents		145,349	127,720
		587,009	515,488

		30.9.2014	31.3.2014
		(Unaudited)	(Audited)
	<i>NOTES</i>	HK\$'000	HK\$'000
Current liabilities			
Trade and other payables and accruals	<i>11</i>	97,861	75,508
Tax liabilities		5,305	4,720
Amount due to a non-controlling shareholder of a subsidiary	<i>11</i>	18,938	18,731
Borrowings		18,547	18,716
		<u>140,651</u>	<u>117,675</u>
Net current assets		<u>446,358</u>	<u>397,813</u>
Total assets less current liabilities		846,269	780,254
Non-current liability			
Deferred taxation		<u>7,485</u>	<u>7,485</u>
Net assets		<u>838,784</u>	<u>772,769</u>
Capital and reserves			
Share capital		61,161	50,968
Reserves		<u>778,104</u>	<u>721,913</u>
Total attributable to owners of the Company		839,265	772,881
Non-controlling interests		<u>(481)</u>	<u>(112)</u>
Total equity		<u>838,784</u>	<u>772,769</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

	Attributable to owners of the Company										
	Share capital	Share premium	Put option reserve	Deemed contribution from a shareholder	Capital redemption reserve	Properties revaluation reserve	Translation reserve	Retained profits	Total	Non-controlling interests	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2013	50,968	210,950	(53,533)	145,419	63	-	54,752	385,738	794,357	(196)	794,161
Profit for the period	-	-	-	-	-	-	-	11,430	11,430	(114)	11,316
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	4,683	-	4,683	212	4,895
Total comprehensive income for the period	-	-	-	-	-	-	4,683	11,430	16,113	98	16,211
Transfer to retained profits upon the expiry of Put Option ended on 30 September 2013	-	-	53,533	-	-	-	-	(53,533)	-	-	-
Recognition of shareholder contribution upon the extension of the Put Option Period	-	-	(43,538)	43,538	-	-	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	16,307	16,307
At 30 September 2013	<u>50,968</u>	<u>210,950</u>	<u>(43,538)</u>	<u>188,957</u>	<u>63</u>	<u>-</u>	<u>59,435</u>	<u>343,635</u>	<u>810,470</u>	<u>16,209</u>	<u>826,679</u>
At 1 April 2014	50,968	210,950	-	188,957	63	-	54,292	267,651	772,881	(112)	772,769
Loss for the period	-	-	-	-	-	-	-	(20,030)	(20,030)	(338)	(20,368)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	4,733	-	4,733	(31)	4,702
Surplus on transfer from property, plant and equipment to investment properties	-	-	-	-	-	49,362	-	-	49,362	-	49,362
Other comprehensive income (expense) for the period	-	-	-	-	-	49,362	4,733	-	54,095	(31)	54,064
Total comprehensive income (expense) for the period	-	-	-	-	-	49,362	4,733	(20,030)	34,065	(369)	33,696
Issue of new shares upon placing	10,193	23,037	-	-	-	-	-	-	33,230	-	33,230
Transaction costs attributable to issue of new shares	-	(911)	-	-	-	-	-	-	(911)	-	(911)
At 30 September 2014	<u>61,161</u>	<u>233,076</u>	<u>-</u>	<u>188,957</u>	<u>63</u>	<u>49,362</u>	<u>59,025</u>	<u>247,621</u>	<u>839,265</u>	<u>(481)</u>	<u>838,784</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

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 investment properties and certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the current period are the same as those followed in the preparation of the consolidated financial statements of the Group for the year ended 31 March 2014.

In addition, the Group has applied the following accounting policies during the current period.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Transfer from owner-occupied property to investment property carried at fair value

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in properties revaluation reserve. On the subsequent sale or retirement of the asset, the properties revaluation reserve will be transferred directly to retained profits.

In the current interim period, the Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements.

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

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance, is mainly based on the nature of different operation as follows:

The Group’s reportable and operating segments are therefore as follows:

- (a) Manufacturing and sales of printing products (“**Manufacturing and Sales**”);
- (b) Trading of printing products (“**Trading**”);
- (c) Artistes management, production and distribution of music albums and movies (“**Music and entertainment**”);
- (d) Property development and investment (“**Property business**”); and
- (e) Securities trading.

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

	Revenue		Segment (loss) profit	
	Six-month period ended		Six-month period ended	
	30.9.2014	30.9.2013	30.9.2014	30.9.2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Manufacturing and Sales	256,487	335,818	(20,815)	17,733
Trading	18,703	15,117	1,340	1,006
Music and entertainment	21,339	7,746	(672)	2,405
Property business	–	–	1,929	(291)
Securities trading	–	–	2,696	(4,502)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	296,529	358,681	(15,522)	16,351
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Unallocated interest income			1,245	2,127
Unallocated corporate expenses			(5,706)	(4,606)
Unallocated net foreign exchange loss			(19)	(36)
Share of profit of a joint venture			282	–
			<u> </u>	<u> </u>
(Loss) profit before taxation			(19,720)	13,836
			<u> </u>	<u> </u>

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

Segment (loss) profit represents the loss incurred/profit earned by each segment without allocation of certain unallocated interest income, unallocated corporate expenses, unallocated net foreign exchange loss and share of profit of a joint venture. 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:

	30.9.2014 (Unaudited) HK\$'000	31.3.2014 (Audited) HK\$'000
Manufacturing and Sales	388,622	460,669
Trading	14,371	14,462
Music and entertainment	18,356	17,603
Property business	103,313	100,381
Securities trading	2,237	25,669
	<hr/>	<hr/>
Total segment assets	526,899	618,784
Unallocated assets	460,021	279,145
	<hr/>	<hr/>
Consolidated assets	986,920	897,929

4. TAXATION

	Six months ended	
	30.9.2014 (Unaudited) HK\$'000	30.9.2013 (Unaudited) HK\$'000
The charge comprises:		
Current tax for the period:		
Hong Kong	166	2,615
The People's Republic of China ("the PRC")	482	–
	<hr/>	<hr/>
	648	2,615
Deferred taxation:		
Current period	–	(95)
	<hr/>	<hr/>
	648	2,520
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the periods ended 30 September 2014 and 30 September 2013.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of PRC subsidiaries is 25%.

5. (LOSS) PROFIT FOR THE PERIOD

	Six months ended	
	30.9.2014	30.9.2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss) profit for the period has been arrived at after charging (crediting):		
Amortisation of intangible assets	–	574
Depreciation of property, plant and equipment	12,968	10,348
Amortisation of prepaid lease payments	509	469
	<u>13,477</u>	<u>11,391</u>
Included in other gains and losses:		
Net foreign exchange loss	678	36
Allowance for bad and doubtful debts	2,089	109
Change in fair value in held-for-trading investment	(2,696)	4,502
Gain on disposal of property, plant and equipment	–	(9)
Change in fair value in investment properties	(2,453)	–
	<u>(2,382)</u>	<u>4,638</u>
Included in interest income:		
Bank interest income	(1,245)	(718)
Effective interest income from loan to an available-for-sale investee	(1,409)	(1,409)
	<u>(2,654)</u>	<u>(2,127)</u>

6. DIVIDENDS

No dividends were paid, declared or proposed during both interim periods. The Directors have determined that no dividend will be paid in respect of the current interim period.

7. (LOSS) EARNINGS PER SHARE

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

	Six months ended	
	30.9.2014	30.9.2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss) earnings for the purpose of basic (loss) earnings per share (loss/profit for the period)	<u><u>(20,030)</u></u>	<u><u>11,430</u></u>
	30.9.2014	30.9.2013

Number of shares

Weighted average number of shares for the purpose of basic (loss) earnings per share

<u><u>1,057,230,188</u></u>	<u><u>1,019,354,560</u></u>
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No diluted (loss) 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/INVESTMENT PROPERTIES

Property, plant and equipment

During the current interim period, the Group's addition to property, plant and equipment was approximately HK\$17,239,000 (for the six months ended 30 September 2013: HK\$5,498,000).

During the six months ended 30 September 2013, the Group disposed of certain plant and equipment with an aggregate carrying amount of HK\$1,295,000 for proceeds of HK\$1,304,000, resulting in a gain of HK\$9,000 on disposal. There was no gain/loss on disposal of property, plant and equipment for six months ended 30 September 2014.

Investment properties

During the current interim period, the use of certain previously self-used premises of the buildings of the Group have been changed and the management decided to lease out the premises for rental income. Accordingly the carrying amounts of leasehold land and buildings and leasehold improvements of HK\$22,659,000 with fair value of HK\$72,021,000 are transferred to investment properties of the Group and a surplus on transfer from property, plant and equipment to investment properties of HK\$49,362,000 is credited to properties revaluation reserve. Subsequent to the transfer to investment properties, a fair value gain of HK\$2,453,000 (six months ended 30 September 2013: nil) has been credited to profit or loss for the six months ended 30 September 2014.

The fair value of investment properties has been arrived at on the basis of valuations carried out by Citiland Surveyors Limited for properties located in Hong Kong as at the date of transfer and at 30 September 2014 and 北京大展資產評估有限公司 and 北京中鼎聯合房地產評估有限公司 for properties located in the PRC at 30 September 2014 and at the date of transfer, respectively. They are independent qualified professional valuers not related to the Group.

The fair value was determined based on the direct comparison approach assuming sale of each of these properties in existing state and by making reference to comparable sales transactions as available in the relevant market and adjusted for differences in the nature and location.

9. AVAILABLE-FOR-SALE INVESTMENTS/LOAN TO AN AVAILABLE-FOR-SALE INVESTEE/ DERIVATIVE FINANCIAL INSTRUMENTS

	30.9.2014	31.3.2014
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Available-for-sale investments comprise:		
Unlisted equity securities incorporated in Republic of Korea (Note)	7,500	7,500
Unlisted equity securities incorporated in the PRC	16,789	16,239
	24,289	23,739
Analysed for reporting purpose as:		
Current assets	7,500	–
Non-current assets	16,789	23,739
	24,289	23,739

Note: On 9 May 2014, Brilliant Wise International Limited (“**Brilliant Wise**”), a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with an independent third party to dispose of the Group’s equity interest in this entity at a cash consideration of HK\$7,500,000. The investment is classified as current asset as at 30 September 2014 as the Directors determine that the investment is highly probable to be recovered within twelve months. The disposal has been completed subsequent to the end of the reporting period.

10. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS/AMOUNT DUE FROM A RELATED COMPANY

The Group's credit terms on manufacturing and sales and trading of printing products 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. 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.

	30.9.2014 (Unaudited) HK\$'000	31.3.2014 (Audited) HK\$'000
Manufacturing and Sales and Trading operation:		
0 – 30 days	107,799	84,986
31 – 60 days	20,319	10,865
61 – 90 days	7,251	5,778
Over 90 days	2,710	5,204
	138,079	106,833
Music and entertainment operation:		
0 – 45 days	3,351	918
46 – 90 days	309	423
91 – 180 days	863	155
	4,523	1,496
Total trade receivables	142,602	108,329
Deposits, prepayments and other receivables	15,547	17,175
	158,149	125,504

The period from June to September is the high season for the printing operation. As a result, trade receivables as at 30 September 2014 are significantly higher than that as at 31 March 2014.

During the six months ended 30 September 2014, trade receivables of printing operation of HK\$2,089,000 (six months ended 30 September 2013: HK\$109,000) are impaired as the counterparties have been in financial difficulties in repaying their outstanding balances.

Amount due from a related company is of a trade nature, unsecured and interest-free. A credit terms of 30 days has been granted to the related company.

11. TRADE AND OTHER PAYABLES AND ACCRUALS/AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

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

	30.9.2014	31.3.2014
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	39,119	35,038
31 – 60 days	16,271	12,745
61 – 90 days	11,800	2,704
Over 90 days	3,978	108
	<hr/>	<hr/>
	71,168	50,595
Accrued expenses and other payables	26,693	24,913
	<hr/>	<hr/>
	97,861	75,508
	<hr/> <hr/>	<hr/> <hr/>

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

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the Period (2013: Nil).

REVIEW OF OVERALL FINANCIAL RESULTS

For the Period, turnover of the Group amounted to approximately HK\$296.5 million (six months ended 30 September 2013: HK\$358.7 million), dropped by 17.3% as compared with the same period last year.

Gross profit for the Period amounted to approximately HK\$46.0 million (six months ended 30 September 2013: HK\$89.8 million). Gross margin dropped by 9.5 percentage points to 15.5% from 25.0% for the same period last year. The Group incurred a loss during the Period mainly due to the decrease in revenue from the Manufacturing and Sales business, which will be further explained as follows.

REVIEW OF OPERATIONS AND PROSPECTS

Manufacturing and Sales businesses

For the Period, revenue from the Manufacturing and Sales businesses decreased by 23.6% to approximately HK\$256.5 million (six months ended 30 September 2013: HK\$335.8 million). Such decrease was due to the decline in export sales during the Period. The decline of approximately 28.9% in export sales was partially offset by an increase in domestic sales of approximately 14.6% during the Period. The decline in export sales was mainly due to the decrease in the number of sales orders placed by a few major overseas customers. The increase in domestic sales was mainly attributable to the sales orders placed by new customers.

The Group recorded a segment loss for the Period in the Manufacturing and Sales businesses. The segment loss was mainly attributable to (i) the significant drop in revenue for this segment as discussed in the paragraph above; (ii) increase in material costs; (iii) increase in staff costs; and (iv) continuing appreciation of Renminbi. During the Period, as the price of raw material kept increasing, the Group has continued its effort in sourcing and testing the quality of alternative materials from the PRC since the second half of the financial year ended 31 March 2014 and tightening control on the use of raw materials in production. As a result, the proportion of material costs in the total production costs of the Manufacturing and Sales businesses remained stable during the Period as compared with the corresponding period in the last financial year. The effect of tightened control of material use, however, cannot completely compensate the increase in material price and resulted in an increase in material costs during the Period as compared to the corresponding period last year. For the staff costs, the minimum wages for Shenzhen and Guangdong Province set by the PRC government increased from RMB1,600 to RMB1,808 in February 2014, which caused the staff costs, including basic and overtime salaries and salary-related costs, to increase.

In view of the rising operating costs in the PRC, the volatile global market and keen competition in the industry, the Group will put more effort into increasing its efficiency and effectiveness by streamlining the whole production process of the factories. At the same time, the Group will further expand its sales teams and actively engage new overseas sales agents and representatives so as to expand the customer base of the Group.

Trading business

Revenue from the Trading business increased significantly by 23.7% to approximately HK\$18.7 million during the Period (six months ended 30 September 2013: HK\$15.1 million). The increase was mainly attributable to the rise in customer demand for 3M products and the increase in the number of new customers. Profit margin of the Trading business increased by 0.5 percentage point to 7.2% as compared with the same period last year. Such increase was mainly attributable to the tightened cost control adopted in the Period.

The Group will continue to devote more resources to expand its sales team and broaden its customer base.

Music and entertainment business

The revenue from this segment mainly consisted of income from concerts and shows, artiste management income, album distribution income, promotion income and song licensing income.

The revenue of the Music and entertainment business increased sharply by approximately 175.5% to HK\$21.3 million during the Period (six months ended 30 September 2013: HK\$7.7 million). The increase was mainly attributable to two music concerts successfully held for Julian Cheung Chi-Lam in the Hong Kong Coliseum and Terence Chui Chi Long in Kowloon Bay International Trade & Exhibition Centre, respectively, which contributed to approximately 76% of the total revenue of the Music and entertainment business. Besides, more music albums and new songs were released during the Period which has also pushed up the revenue arising from physical products sales and licensing income by approximately 89% in aggregate. However, the Music and Entertainment business recorded a segment loss of approximately HK\$0.7 million mainly due to (i) the absence of promotion income, which has a much higher profit margin, from a related company, Neway Karaoke Box Limited, of HK\$4 million recorded in the same period last year. The promotion service is no longer required by Neway Karaoke Box Limited due to the change of its internal marketing plan; (ii) the lower profit margin of concert income, which was a major component of the total revenue.

During the Period, the Group has recruited more marketing staff in the PRC for identifying and evaluating potential projects in the PRC and will allocate more financial resources to the development of the entertainment business in the PRC in the coming future. Subsequent to the end of the Period, the Group has invested in a PRC movie, which is the first investment of the Group in the PRC movie industry.

During the Period, the Company identified a buyer and has planned to dispose of the entire equity interest in Marble Arch Investments Limited (“**Marble Arch**”), a subsidiary of Luxury Field Limited which is the shareholder of the PRC subsidiary which has made advances to the Group’s potential investee, 匯金泛亞(福建)有限公司(“匯金泛亞”). The Group intended to carry out certain projects in the cultural and entertainment industry through 匯金泛亞 in previous years. Due to the uncertainty in obtaining the local government approval, the Company has determined to dispose of the investment and considered that it would be more beneficial to the Group to use the sales proceeds from the such disposal to invest in other potential projects with higher return on investment.

Securities trading business

During the Period, the Group recorded a fair value gain of approximately HK\$2.7 million in market securities listed in Hong Kong held by the Group. The Group has rented a new office in Central and will devote more human resources to the Securities trading business.

The Group will carefully study the market and information of prospective investees before making any purchase of securities. The Group will maintain the current assigned portfolio size unless it becomes aware of any great market potential in securities.

Property development and investment business

Property development business

The Group had two property development projects as at 30 September 2014, one of which involved 四川英華房地產有限公司(“英華房地產”), which is classified as an available-for-sale investment of the Group, and the other one involved 清遠市中清房地產開發有限公司(“中清房地產”), a non wholly-owned subsidiary of the Group.

英華房地產 holds the land use rights of a parcel of commercial land in Chengdu. Construction work has commenced and in accordance with the project time schedule, pre-sales are expected to commence by the end of December 2014.

中清房地產 holds the land use rights of two parcels of commercial land in Qingyuan. On 18 June 2014, 深圳中星國盛投資發展有限公司 (“中星國盛”), a wholly-owned subsidiary of the Company, initiated civil proceedings against 中清房地產 in 深圳市寶安區人民法院 (the “**People’s Court of Baoan District**”) for, among other matters, the repayment of the shareholder’s loan contributed by 中星國盛 in the amount of RMB23,479,330 (“**Litigation**”). On 19 June 2014, pursuant to an application made by 中星國盛 to freeze and preserve the assets of 中清房地產 in the total value of RMB23,400,000, an order was granted by the People’s Court of Baoan District to freeze and preserve the two parcels of land owned by 中清房地產 during the period from 24 June 2014 to 23 June 2016 (“**Freeze Order**”). The Freeze Order aims to ensure that 中清房地產 has sufficient assets of value to repay the shareholder’s loan to the Group.

Two hearings of the Litigation were held on 18 August 2014 and 25 September 2014. On 15 October 2014, the Group received the civil mediation document (民事調解書) issued by the People's Court of Baoan District dated 30 September 2014, pursuant to which the People's Court of Baoan District has confirmed that (i) the Group and 中清房地產 confirmed that 中清房地產 was indebted to 中星國盛 in the sum of RMB23,479,330, (ii) 中清房地產 agreed to repay to 中星國盛 the sum of RMB23,479,330 together with the interest accrued from 18 June 2014 until the date of repayment within 15 days after the effective date of the civil mediation document; and (iii) if 中清房地產 fails to repay the agreed amount, 中星國盛 shall have the right to request 中清房地產 to pay default interest calculated at two times of the lending rate of the People's Bank of China over the same period.

As advised by the Group's PRC legal advisers, the effective date of the civil mediation document was 15 October 2014 and accordingly the deadline for repayment by 中清房地產 was 30 October 2014. As at the date of this announcement, 中清房地產 has not repaid the outstanding shareholder loan with interest to 中星國盛. The management is currently discussing the future development plan with the business partner and has yet to reach a conclusion on it. The Group will closely monitor the negotiation progress with the business partner and will take further legal action to protect the Group's interests as and when appropriate.

Property investment business

The Group has rented out the commercial office located in Beijing to a third party during the Period and enjoyed stable rental income and capital appreciation from the rental of investment properties.

Besides, in view of the shortage of storage space in Hong Kong due to limited supply of land from the government, the Group is renovating the ground floor, 1st floor and 2nd floor of a self-owned industrial building located in Fanling ("**Fanling Building**") and plans to operate a mini warehouse business. The target customers are individual and corporate clients and the Company may outsource the business operation to an experienced management company to maximise the operating efficiency. The renovation work on the ground floor and 2nd floor is still in progress and the 1st floor is just completed as at the date of this announcement. It is believed that the change of the current usage of the Fanling Building will bring a new and stable income to the Group. Furthermore, the Group will allocate more financial resources to develop the mini-warehouse business and actively look for suitable properties in other places of Hong Kong.

According to the Group's accounting standards, the office in Beijing and the ground floor to 2nd floor of the Fanling Building have been re-classified as investment properties as at the date of change of usage of the properties. The investment properties were carried at market value and a fair value gain of HK\$2.5 million was recorded during the Period in other gains and losses of the Company.

OTHER BUSINESSES

For the financial leasing business in Shanghai, the Group is still identifying potential transactions and no transaction was entered into during the Period.

The wholly-owned subsidiary of the Company that principally engaged in money lending business in Hong Kong has entered into a loan transaction with a third party independent of the Group during the Period and the amount has been repaid before the end of the Period. There was no outstanding loan receivable as at 30 September 2014.

The Group expects to allocate more financial and human resources to the expansion of these two businesses in a cautious manner.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2014, the Group had cash and cash equivalents of approximately HK\$265.0 million. Current ratio stood at 4.2, indicating an ample cash flow and a stable liquidity position during the Period. The Group's bank balances and cash and short-term bank deposits, after deducting bank borrowings of HK\$18.5 million (31 March 2014: HK\$18.7 million), amounted to HK\$246.5 million (31 March 2014: HK\$213.8 million). Gearing ratio, which is calculated as the Group's total borrowings of HK\$18.5 million (31 March 2014: HK\$18.7 million) divided by shareholders' fund of HK\$839.3 million (31 March 2014: HK\$772.9 million), was 2.2% (31 March 2014: 2.4%).

As at 30 September 2014, the Group had a working capital of HK\$446.4 million (31 March 2014: HK\$397.8 million), which primarily comprised inventories (including properties under development for sale) of HK\$123.8 million, trade and other receivables of HK\$158.1 million, and cash and cash equivalents and short-term deposits of HK\$265.0 million, less trade and other payables and accruals of HK\$97.9 million, tax liabilities of HK\$5.3 million and bank and other borrowings of HK\$18.5 million.

The treasury and funding policy of the Group has not changed materially from that disclosed in its annual report for the year ended 31 March 2014.

FOREIGN EXCHANGE RISK

The Group's sales and purchases are principally denominated in Renminbi, HK dollar and US dollar. Except for Renminbi, there was no significant fluctuation in the exchange rate between HK dollar and US dollar throughout the Period. The management will closely monitor the foreign exchange risk of Renminbi and identify any significant adverse impact thereof on the PRC operations. The Group will consider using appropriate hedging solutions, if required. For 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 2014.

CAPITAL EXPENDITURE

For the Period, capital expenditure of the Group for property, plant and equipment amounted to approximately HK\$17.2 million (year ended 31 March 2014: HK\$11.3 million). Such addition was mainly attributable to the acquisition of machines used in production and leasehold improvement of the investment property located in Hong Kong.

CAPITAL COMMITMENTS

As at 30 September 2014, the Group had capital commitments of approximately HK\$13.3 million (31 March 2014: HK\$15.1 million) for the acquisition of property, plant and equipment and prepaid lease payments which had been contracted for but had not been provided for in the financial statements. The Group did not have any capital commitments for the acquisition of property, plant and equipment which had been authorised but had not been contracted for in both periods.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2014 (31 March 2014: Nil).

SHARE CAPITAL AND CAPITAL STRUCTURE

On 28 August 2014, the Company issued and placed 203,860,000 new shares of the Company to not less than six placees according to the placing agreement dated 15 August 2014. The placing price was HK\$0.163 per share, and the net proceed was approximately HK\$32.2 million.

On 25 September 2014, the Company and its placing agent entered into a placing agreement for the placing of 244,640,000 new shares of the Company and the completion of the placing took place after the Period. Please refer to the paragraph headed “Events after reporting period” for details.

Save as disclosed above, there was no change in the share capital and capital structure of the Company for the period ended 30 September 2014.

HUMAN RESOURCES

As at 30 September 2014, the Group had approximately 2,150 full time employees (30 September 2013: 2,670).

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’s and the Group’s performance. Apart from salary payments, other staff benefits include contributions to retirement benefit scheme, participation in share option scheme, and medical insurance for eligible employees. In-house and external training programmes are provided as and when required.

EVENTS AFTER REPORTING PERIOD

On 7 October 2014, the Company issued and placed 244,640,000 new shares of the Company (“**Placing Shares**”) to not less than six placees according to the placing agreement dated 25 September 2014. The placing price was HK\$0.156 per share, and the net proceed was approximately HK\$37 million. Subsequent to the issue of the Placing Shares on 7 October 2014, the shareholding of CNA Company Limited fell to 25.30% from 30.36%. CNA Company Limited therefore ceased to be the controlling shareholder of the Company.

On 9 May 2014, Brilliant Wise, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to dispose of the Group’s equity interest in a company incorporated in the Republic of Korea at a cash consideration of HK\$7,500,000. This disposal was completed on 7 October 2014.

On 21 November 2014, Luxury Field Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interest in Mable Arch, a subsidiary of Luxury Field Limited which is the shareholder of the PRC subsidiary which has made advances to the Group's potential investee, 匯金泛亞, at a cash consideration of RMB22,104,100 (equivalent to HK\$28,001,000). The disposal has not yet been completed as at the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”), as set out in Appendix 10 of the Listing Rules as code of conduct regarding Directors’ securities transactions. Having made specific enquiry with all Directors, the Company has received confirmations from all Directors that they have complied with the required standards set out in the Model Code during the Period.

The Company has also adopted procedures on terms no less exacting than the Model Code in respect of the securities transactions of the employees who are likely to be in possession of unpublished price-sensitive information.

AUDIT COMMITTEE

The audit committee of the Board (“**Audit Committee**”) comprises one non-executive Director and two independent non-executive Directors. The Audit Committee has reviewed the Group’s accounting policies and discussed auditing, internal controls and financial reporting matters with the Board, and has also reviewed the interim results and the condensed consolidated financial statements of the Group for the Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Period.

CORPORATE GOVERNANCE

The Board is collectively responsible for performing the corporate governance duties. The Board recognises that good corporate governance practices are vital to the maintenance and promotion of shareholder value and investor confidence. In the opinion of the Board, the Company has complied with the code provisions of the Corporate Governance Code (“**CG Code**”) set out in Appendix 14 of the Listing Rules throughout the Period, except for the following deviations:

Provision A.2.7 of the CG Code

Provision A.2.7 of the CG Code requires the Chairman to hold meetings at least annually with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. The Chairman during the Period, namely Mr. Suek Ka Lun, Ernie, was himself an executive Director and as such, compliance with this code provision was infeasible.

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

The Board has not established a nomination committee. The Board is responsible for reviewing the structure, size and composition of the Board from time to time, and the appointment and removal of Directors are subject to the Board’s collective decision. The Board will identify individuals suitably qualified to be appointed to the Board when necessary. The Board considers potential candidates based on their qualifications, expertise, experience and knowledge as well as the requirements under the Listing Rules.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the Period have not been audited, but have been reviewed by the Audit Committee and the Group’s auditors, Messrs. Deloitte Touche Tohmatsu.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE'S WEBSITE AND THE COMPANY'S WEBSITE

A detailed interim report will be published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.newwaygroup.com.hk in due course.

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

Hong Kong, 28 November 2014

As at the date of this announcement, the Directors are Mr. Suek Ka Lun, Ernie (Chairman) and Mr. Suek Chai Hong (Chief Executive Officer) being the executive Directors; Dr. Ng Wai Kwan, Mr. Chan Kwing Choi, Warren and Mr. Wong Sun Fat being the non-executive Directors; and Mr. Tse Tin Tai, Ms. Lui Lai Ping, Cecily and Mr. Lee Kwok Wan being the independent non-executive Directors; and Mr. Lau Kam Cheong being the alternate Director to Dr. Ng Wai Kwan.