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NEWAY GROUP HOLDINGS LIMITED

中星集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00055)

GROUP INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Neway Group Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2016 (the “**Period**”), together with comparative figures for the corresponding period of the previous year as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Six months ended	
		30.6.2016	30.6.2015
		(Unaudited)	(Unaudited)
	NOTES	HK\$'000	HK\$'000
Revenue		274,840	217,621
Gross proceeds from sale of held-for-trading investments	6	<u>13,794</u>	<u>79,635</u>
		<u>288,634</u>	<u>297,256</u>
Revenue	3	274,840	217,621
Cost of sales		<u>(193,233)</u>	<u>(183,467)</u>
Gross profit		81,607	34,154
Interest income		1,354	2,603
Other income		3,427	5,077
Selling and distribution expenses		(13,622)	(12,629)
Administrative expenses		(55,660)	(52,246)
Other gains and losses		30,038	(7,739)
Finance costs	4	(1,851)	(1,330)
Share of loss of joint ventures		<u>(947)</u>	<u>(253)</u>

* For identification purpose only

		Six months ended	
		30.6.2016	30.6.2015
		(Unaudited)	(Unaudited)
	<i>NOTES</i>	HK\$'000	HK\$'000
Profit (loss) before taxation		44,346	(32,363)
Taxation	5	<u>(4,854)</u>	<u>(521)</u>
Profit (loss) for the period	6	39,492	(32,884)
Other comprehensive expense for the period:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>(9,550)</u>	<u>(1,065)</u>
Total comprehensive income (expense) for the period		<u>29,942</u>	<u>(33,949)</u>
Profit (loss) for the period attributable to:			
Owners of the Company		39,593	(32,711)
Non-controlling interests		<u>(101)</u>	<u>(173)</u>
		<u>39,492</u>	<u>(32,884)</u>
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		30,043	(33,535)
Non-controlling interests		<u>(101)</u>	<u>(414)</u>
		<u>29,942</u>	<u>(33,949)</u>
Basic earnings (loss) per share (<i>HK cents</i>)	8	<u>18.73</u>	(Restated) <u>(20.86)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

		30.6.2016 (Unaudited)	31.12.2015 (Audited)
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	9	145,256	151,392
Prepaid lease payments		29,091	29,433
Investment properties	9	78,365	76,365
Deposits for land use rights		17,452	17,486
Available-for-sale investments	10	42,173	40,844
Loans to joint ventures		12,314	13,254
Interests in joint ventures		428	428
Deposit paid for acquisition of property, plant and equipment		–	340
Deposit paid for acquisition of a subsidiary		10,000	–
		335,079	329,542
Current assets			
Inventories and record masters		41,803	39,636
Properties under development for sale		44,064	44,883
Held-for-trading investments		91,242	45,090
Derivative financial instrument		10,709	10,370
Trade and other receivables, prepayments and deposits	11	187,111	178,592
Loans to available-for-sale investees	10	40,902	41,163
Loans receivable		60,172	76,220
Prepaid lease payments		701	718
Amount due from a related company	11	1,865	3,489
Tax recoverable		787	862
Short-term bank deposits		82,446	113,390
Cash and cash equivalents		149,455	120,747
		711,257	675,160

		30.6.2016	31.12.2015
		(Unaudited)	(Audited)
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Trade and other payables and accruals	<i>12</i>	121,764	103,471
Tax liabilities		5,033	2,562
Amount due to a non-controlling shareholder of a subsidiary	<i>12</i>	17,908	17,908
Amount due to a related company		20,398	23,331
Obligations under finance leases – due within one year		535	–
Borrowings		–	6,000
		165,638	153,272
Net current assets		545,619	521,888
Total assets less current liabilities		880,698	851,430
Non-current liabilities			
Amount due to a related company		–	674
Deferred taxation		3,680	3,680
		3,680	4,354
Net assets		877,018	847,076
Capital and reserves			
Share capital		105,685	105,685
Reserves		772,819	742,776
Total attributable to owners of the Company		878,504	848,461
Non-controlling interests		(1,486)	(1,385)
Total equity		877,018	847,076

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Attributable to owners of the Company									
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Deemed contribution from a shareholder <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Properties valuation reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2015	73,393	257,973	188,957	63	56,223	56,013	189,014	821,636	(240)	821,396
Loss for the period	-	-	-	-	-	-	(32,711)	(32,711)	(173)	(32,884)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(824)	-	(824)	(241)	(1,065)
Total comprehensive expense for the period	-	-	-	-	-	(824)	(32,711)	(33,535)	(414)	(33,949)
Issue of new shares upon placing	14,678	28,182	-	-	-	-	-	42,860	-	42,860
Transaction costs attributable to issue of new shares	-	(1,072)	-	-	-	-	-	(1,072)	-	(1,072)
At 30 June 2015	<u>88,071</u>	<u>285,083</u>	<u>188,957</u>	<u>63</u>	<u>56,223</u>	<u>55,189</u>	<u>156,303</u>	<u>829,889</u>	<u>(654)</u>	<u>829,235</u>
At 1 January 2016	<u>105,685</u>	<u>349,902</u>	<u>188,957</u>	<u>63</u>	<u>56,223</u>	<u>25,878</u>	<u>121,753</u>	<u>848,461</u>	<u>(1,385)</u>	<u>847,076</u>
Profit (loss) for the period	-	-	-	-	-	-	39,593	39,593	(101)	39,492
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(9,550)	-	(9,550)	-	(9,550)
Total comprehensive income for the period	-	-	-	-	-	(9,550)	39,593	30,043	(101)	29,942
At 30 June 2016	<u>105,685</u>	<u>349,902</u>	<u>188,957</u>	<u>63</u>	<u>56,223</u>	<u>16,328</u>	<u>161,346</u>	<u>878,504</u>	<u>(1,486)</u>	<u>877,018</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

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 “**Stock Exchange**”) (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**”).

The principal activities of the Group are (i) money lending; (ii) manufacturing and sales of printing products; (iii) artistes management, production and distribution of music albums and movies; (iv) property development and investment; (v) securities trading; and (vi) trading of printing products.

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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2015.

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

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

- (a) Money lending (the “**Lending Business**”);
- (b) Manufacturing and sales of printing products (the “**Manufacturing and Sales Business**”);
- (c) Artistes management, production and distribution of music albums and movies (the “**Music and Entertainment Business**”);

- (d) Property development and investment, including properties development projects and properties investments in the People’s Republic of China (the “**PRC**”), mini storage business and office leasing and properties investment in Hong Kong (the “**Property Business**”);
- (e) Securities trading (the “**Securities Trading Business**”); and
- (f) Trading of printing products (the “**Trading Business**”).

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

	Revenue		Segment profit (loss)	
	Six months ended		Six months ended	
	30.6.2016	30.6.2015	30.6.2016	30.6.2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Lending Business	3,950	2,740	1,829	570
Manufacturing and Sales Business	249,256	195,485	25,690	(24,939)
Music and Entertainment Business	6,427	2,497	1,511	(6,650)
Property Business	564	391	1,517	3,283
Securities Trading Business	–	–	26,570	(2,576)
Trading Business	14,643	16,508	901	1,191
	<u>274,840</u>	<u>217,621</u>	<u>58,018</u>	<u>(29,121)</u>
Total				
Bank interest income			545	1,194
Unallocated other incomes			12	4,513
Unallocated corporate expenses			(14,232)	(8,709)
Unallocated net foreign exchange gain			3	13
Share of loss of joint ventures			–	(253)
Profit (loss) before taxation			<u>44,346</u>	<u>(32,363)</u>

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

Segment profit (loss) represents the profit earned/loss incurred by each segment without allocation of bank interest income, unallocated corporate expenses, unallocated other incomes, unallocated net foreign exchange gain and certain share of loss of joint ventures. This is the measure reported to the Group’s executive Directors for the purposes of resources allocation and assessment of segment performance.

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

	30.6.2016 (Unaudited) HK\$'000	31.12.2015 (Audited) HK\$'000
Lending Business	61,079	77,431
Manufacturing and Sales Business	313,721	301,770
Music and Entertainment Business	16,180	28,795
Property Business	199,052	190,850
Securities Trading Business	94,450	47,663
Trading Business	19,577	14,821
	<hr/>	<hr/>
Total segment assets	704,059	661,330
Other assets	342,277	343,372
	<hr/>	<hr/>
Consolidated assets	1,046,336	1,004,702

4. FINANCE COSTS

	Six months ended	
	30.6.2016 (Unaudited) HK\$'000	30.6.2015 (Unaudited) HK\$'000
Interest on:		
Bank borrowings	325	359
Amount due to a related company	1,526	–
Other borrowings	–	971
	<hr/>	<hr/>
	1,851	1,330

5. TAXATION

	Six months ended	
	30.6.2016 (Unaudited) HK\$'000	30.6.2015 (Unaudited) HK\$'000
The charge comprises:		
Current tax for the period:		
Hong Kong	3,022	435
The PRC	1,832	86
	<hr/>	<hr/>
	4,854	521

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both periods.

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%.

6. PROFIT (LOSS) FOR THE PERIOD

	Six months ended	
	30.6.2016	30.6.2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit (loss) for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	7,655	6,978
Amortisation of prepaid lease payments	<u>463</u>	<u>463</u>
Included in other gains and losses:		
Net foreign exchange (gain) loss	(1,100)	821
Allowance for bad and doubtful debts	507	691
Change in fair value in held-for-trading investments (<i>Note</i>)	(26,662)	2,264
Change in fair value in investment properties	(2,000)	(3,165)
Change in fair value in derivative financial instrument	(339)	–
Gain on disposal of property, plant and equipment	(444)	–
Impairment loss recognised in respect of property, plant and equipment	–	3,297
Impairment loss recognised in respect of intangible assets	<u>–</u>	<u>3,831</u>
	<u>(30,038)</u>	<u>7,739</u>
Included in interest income:		
Bank interest income	(545)	(1,194)
Effective interest income from loan to an available-for-sale investee	<u>(809)</u>	<u>(1,409)</u>
	<u>(1,354)</u>	<u>(2,603)</u>

Note: The amounts included the net realised gain of approximately HK\$1,620,000 (six months ended 30 June 2015: net realised loss of approximately HK\$1,181,000) on disposal of held-for-trading investments for the current interim period of which the gross proceeds were approximately HK\$13,794,000 (six months ended 30 June 2015: approximately HK\$79,635,000).

7. DIVIDENDS

No dividends were paid, declared or proposed for both interim periods. The Directors did not recommend the payment of an interim dividend in respect of the current interim period.

8. EARNINGS (LOSS) PER SHARE

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

	Six months ended	
	30.6.2016	30.6.2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit (loss) for the purpose of basic earnings (loss) per share (profit (loss) for the period)	<u>39,593</u>	<u>(32,711)</u>
	30.6.2016	30.6.2015
		(Restated)
Number of shares		
Weighted average number of shares in issue for the purpose of basic earnings (loss) per share	<u>211,369,456</u>	<u>156,841,102</u>

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

The number of ordinary shares for the calculation of the basic loss per share of the interim period ended 30 June 2015 has been adjusted to reflect the impact of the share consolidation effected during the current interim period.

9. 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\$3,344,000 (six months ended 30 June 2015: approximately HK\$2,081,000) and the Group entered into finance lease arrangements in respect of motor vehicles with a total capital value of HK\$630,000 (six months ended 30 June 2015: nil) at the inception of the leases.

Investment properties

During the six months ended 30 June 2015, certain premises situated in the PRC previously leased out for rental income had been changed to self-used premises. Accordingly, the investment properties with fair value of HK\$11,165,000 were transferred to leasehold land and buildings. The increase in fair value of investment properties of HK\$2,000,000 has been recognised directly in profit or loss for the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$3,165,000).

The fair value of investment properties as at 30 June 2016 and 31 December 2015 have been arrived at on the basis of valuations carried out by Citiland Surveyors Limited for properties located in Hong Kong. It is an independent qualified professional valuer not related to the Group.

The fair values were 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.

10. AVAILABLE-FOR-SALE INVESTMENTS/LOANS TO AVAILABLE-FOR-SALE INVESTEEES

Available-for-sale investments

	30.6.2016 (Unaudited) HK\$'000	31.12.2015 (Audited) HK\$'000
Available-for-sale investments comprise:		
Club membership	3,404	3,404
Unlisted equity securities established in the PRC measured at fair value (<i>Note (i)</i>)	15,044	15,044
Unlisted equity securities established in the PRC measured at cost (<i>Note (iii)</i>)	17,534	17,908
Unlisted equity securities established in overseas measured at cost (<i>Notes (ii) and (iii)</i>)	6,191	4,488
	42,173	40,844

Notes:

- (i) In 2013, the Group signed a capital injection agreement with shareholders of Sichuan Ying Wah Real Estate Company Limited (四川英華房地產有限公司) (“**Ying Wah**”), all being independent third parties, to inject RMB10,000,000 in Ying Wah, representing approximately 16.67% equity interest of the enlarged paid-in capital of Ying Wah. Ying Wah is principally engaged in the property development in the PRC. The available-for-sale investments in Ying Wah were measured at fair value on 30 June 2016 and 31 December 2015.
- (ii) During the six months ended 30 June 2016, the Group further invested in an entity established in overseas at a consideration of HK\$1,703,000.
- (iii) The unlisted equity investments were measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates was so significant that the Directors were of the opinion that their fair values could not be measured reliably.

Loans to available-for-sale investees

Loans to available-for-sale investees comprise:

	30.6.2016	31.12.2015
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Ying Wah Shareholder's Loan (<i>Note (i)</i>)	32,729	35,003
Other shareholder's loan (<i>Note (ii)</i>)	8,173	6,160
	40,902	41,163

Notes:

- (i) In 2013, the Group signed a loan agreement with Ying Wah pursuant to which the Group granted an unsecured interest-free loan of RMB30,000,000 (the “**Ying Wah Shareholder's Loan**”) to Ying Wah. The loan is unsecured, interest-free and repayable within three years from loan advance date (i.e. 19 March 2013). The effective interest rate on this loan is 10% per annum. During the six months ended 30 June 2016, the Group entered into a supplemental shareholder's loan agreement with Ying Wah pursuant to which the maturity period of the Ying Wah Shareholder's Loan is extended from 19 March 2016 to 31 December 2016 and Ying Wah partially repaid the Ying Wah Shareholder's Loan in the amount of RMB2,000,000.
- (ii) The loan is unsecured, interest-free and repayable within one year from the end of reporting period.

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

The Group's credit terms on Manufacturing and Sales Business and Trading 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 60 to 90 days to the customers of its Music and Entertainment Business. 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.

	30.6.2016	31.12.2015
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Manufacturing and Sales Business and Trading Business:		
0 – 30 days	133,392	115,367
31 – 60 days	13,995	13,399
61 – 90 days	2,372	6,028
Over 90 days	5,325	5,829
	155,084	140,623
Music and Entertainment Business:		
0 – 30 days	5,667	1,053
31 – 60 days	276	415
61 – 90 days	83	166
Over 90 days	1,978	1,960
	8,004	3,594
Total trade receivables	163,088	144,217
Deposits with brokers' houses	3,159	2,505
Deposits, prepayments and other receivables	20,864	31,870
	187,111	178,592

During the six months ended 30 June 2016, trade receivables of printing operation of HK\$507,000 (six months ended 30 June 2015: HK\$691,000) were 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 term of 30 days has been granted to the related company.

12. 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:

	30.6.2016	31.12.2015
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	63,638	42,835
31 – 60 days	10,748	12,281
61 – 90 days	2,769	2,075
Over 90 days	3,933	2,850
	<hr/>	<hr/>
	81,088	60,041
Accrued expenses and other payables	40,676	43,430
	<hr/>	<hr/>
	121,764	103,471
	<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 does not recommend the payment of an interim dividend for the Period (six months ended 30 June 2015: nil).

REVIEW OF OVERALL FINANCIAL RESULTS

For the Period, revenue of the Group amounted to approximately HK\$274.8 million (six months ended 30 June 2015: approximately HK\$217.6 million), which has increased by approximately 26.3% as compared with the six months ended 30 June 2015.

Gross profit for the Period amounted to approximately HK\$81.6 million (six months ended 30 June 2015: approximately HK\$34.2 million). Gross profit margin improved by approximately 14 percentage points to approximately 29.7% for the Period (six months ended 30 June 2015: approximately 15.7%).

The Group made a turnaround from a loss of approximately HK\$32.9 million for the six months ended 30 June 2015 to a profit of approximately HK\$39.5 million for the Period, mainly due to (i) the increase in gross profit, which was largely the result of the increase in revenue from the Manufacturing and Sales Business; (ii) the investment return of approximately HK\$2.6 million generated from the Group's investments in two movies in the PRC (six months ended 30 June 2015: nil); (iii) the net fair value gain from held-for-trading investments of approximately HK\$26.7 million (six months ended 30 June 2015: net fair value loss of approximately HK\$2.3 million) recorded for the Period; and (iv) the absence of an impairment loss on the property, plant and equipment and intangible assets of the Group (six months ended 30 June 2015: approximately HK\$7.1 million). The above factors will be further explained below.

REVIEW OF OPERATIONS AND PROSPECTS

Lending Business

The lending business comprised of the financial leasing business in Shanghai and the money lending business in Hong Kong. For the financial leasing business, no transaction was conducted during the Period, and the Group is still in search of deals with great potential.

For the money lending business, the Group is still actively expanding the customer base and its loan portfolio was approximately HK\$60.2 million as at 30 June 2016 (30 June 2015: approximately HK\$76.2 million). The customers of the business included both individuals and corporate entities and the majority of the loans was secured by properties located in Hong Kong. No default has been recorded since the commencement of the business and the majority of the interest income was received on time. During the Period, the loan interest income was approximately HK\$4.0 million (six months ended 30 June 2015: approximately HK\$2.7 million). The Group will continue to actively secure new customers and allocate

more financial resources to expand this business in the future, and will closely monitor the repayment abilities of borrowers and perform risk assessment on each loan application in a prudent manner.

Manufacturing and Sales Business

Segment profit margin for the Period was approximately 10.3% (six months ended 30 June 2015: segment loss margin of approximately 12.8%). The improvement in segment margin was mainly due to the following reasons:

- (i) the revenue from the Manufacturing and Sales Business increased by approximately 27.5% to approximately HK\$249.3 million (six months ended 30 June 2015: approximately HK\$195.5 million), primarily attributable to the increase in both export and domestic sales during the Period as more orders were placed by some of the Group's existing major customers and new customers following their development last year. Both export and domestic sales recorded a double-digit growth as compared with the same period last year;
- (ii) there was a drop in staff costs during the Period. The ratio of total staff costs to sales was approximately 26.8% for the Period (six months ended 30 June 2015: approximately 36.8%). The decrease in such ratio was due to the fact that the Group reported a higher sales volume with less manpower during the Period following a series of tightening policies adopted last year to boost production efficiency and streamline the workflow. Furthermore, no upward adjustment to the minimum wages in Shenzhen was made by the government of PRC during the Period and this alleviated the pressure of rising staff costs and other related costs;
- (iii) the Group recognised an one-off impairment loss of approximately HK\$3.3 million for the six months ended 30 June 2015 in respect of the non-current assets of the Manufacturing and Sales Business, while no such impairment loss was recorded for the Period; and
- (iv) in order to reduce wastage and material consumption, the Group has taken various measures since last year to control material and other costs, and these measures were reviewed regularly during the Period. The efforts have been proven effective as fuel and utility expenses decreased by approximately 11.0% as compared with the same period last year.

The series of control measures adopted last year generated positive results during the Period, particularly for the Manufacturing and Sales Business which delivered an encouraging performance. To cope with the challenges facing the printing industry and maintain the positive results achieved in the first half of 2016, the Group will continue to put more efforts in the following areas in the remainder of the year: (i) efficiency and effectiveness enhancement by streamlining the production process of its factories so as to reduce operation and production wastage; (ii) talent recruitment, provision of value-added services and upgrade of its technology infrastructure; (iii) enhanced quality management of its products and the development of new product lines to enhance its competitiveness as a whole; and (iv) continuous efforts in sourcing and testing the quality of alternative materials and negotiating more favourable terms with vendors.

Music and Entertainment Business

Segment profit for the Period was approximately HK\$1.5 million (six months ended 30 June 2015: segment loss of approximately HK\$6.7 million). The improvement in segment results was mainly due to the following reasons:

(i) Increase in revenue

Revenue from this segment mainly consists of income from concerts and shows, artistes management income, album distribution income, promotion income and song licensing income.

Revenue from the Music and Entertainment Business increased significantly by approximately 157.4% to approximately HK\$6.4 million for the Period (six months ended 30 June 2015: approximately HK\$2.5 million). The increase was mainly due to (i) the increase in income from concerts for the Period which contributed approximately HK\$2.7 million to the revenue for the Period (six months ended 30 June 2015: nil); and (ii) the increase in song licensing income by approximately 162.1% as compared with the six months ended 30 June 2015;

(ii) the absence of an one-off impairment loss of approximately HK\$3.8 million recognised in respect of intangible assets in the same period last year; and

(iii) in the years 2014 and 2015, the Group invested in two movies in the PRC with an aggregate investment cost of approximately RMB13.1 million. The investment return of both movies for the Period was approximately HK\$2.6 million, producing an average return of approximately 16.9%.

More resources will be allocated in talent cultivation and the organisation of concerts and shows. In view of the desirable investment return realised during the Period, the Group will continue to invest in the PRC film and entertainment market, and also to identify and evaluate potential projects in the PRC and overseas countries.

Property Business

Property Development Business

The Group had two property development projects as at 30 June 2016, one of which involved 四川英華房地產有限公司 (“英華房地產”), 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 right of a parcel of commercial land in Chengdu, and the related property consisted of both residential and commercial units. The construction work commenced in 2014 and is progressing as scheduled. The pre-sale of the project started in mid-March 2015 and approximately 85% of the residential units was pre-sold as at the date of this announcement.

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 an amount of RMB23,479,330 (the “**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 for the period from 24 June 2014 to 23 June 2016 (the “**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 hearing sessions of the Litigation were held on 18 August 2014 and 25 September 2014 respectively. On 15 October 2014, the Group received a civil mediation document (民事調解書) dated 30 September 2014 and issued by the People's Court of Baoan District. Pursuant to the civil mediation document, the People's Court of Baoan District 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 to 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 a 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 thus, 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's loan with accrued interests to 中星國盛.

On 27 May 2016, 中星國盛 submitted an application to the People's Court of Baoan District for the extension of the period covered by the Freeze Order and the application was accepted by the court. The extended period covered by the Freeze Order was from 13 June 2016 to 12 June 2019. The management of the Group is monitoring the market condition and assessing all the relevant costs that would be incurred in resolving the land freezing matter and no further action has been taken by the Group as at the date of this announcement. The Group will closely monitor the negotiation progress with the business partners and will take further legal actions to protect the Group's interests as and when appropriate.

Property Investment Business

The property investment business included the mini storage business operated by a wholly-owned subsidiary of the Company and the office leasing business operated by a joint venture.

Mini Storage Business

The Group has renovated the ground floor, 1st floor, 2nd floor and half of the floor area of the 4th floor of a self-owned industrial building in Fanling (the “**Fanling Building**”) in the year 2014 for operating the mini storage business. As at 30 June 2016, the occupancy rate of the storage units increased to approximately 55% (30 June 2015: approximately 30%). During the Period, more resources were put in place for inspecting, improving and maintaining the conditions and safety level of the mini storage floors and the whole building. The Group will continue its marketing efforts put into this business in order to increase the occupancy rate of the Fanling Building in the future.

Office Leasing Business

The office leasing business, which is the operation of the business service center in Kwun Tong, Hong Kong, is operated by Estate Summit Limited, a joint venture of the Group and an independent third party with extensive management and operating experiences. The business service center, namely Prime Business Centres, commenced operation in September 2015. As at 30 June 2016, approximately 71% of the units was rented out. The Group will devote more marketing efforts to increase the occupancy rate of the center.

Securities Trading Business

During the Period, the Group recorded a fair value gain of approximately HK\$26.7 million (including a realised gain of approximately HK\$1.6 million) and a dividend income of approximately HK\$125,000 in respect of the Hong Kong listed securities held by it. The Group further allocated idle fund of HK\$20 million to the Securities Trading Business during the Period. As at 30 June 2016, the Group held a stock portfolio comprising 21 listed shares securities, including Blue Sky Power Holdings Limited (stock code: 6828), China Agri-Products Exchange Limited (stock code: 149); Fuguiniao Co., Ltd. (stock code: 1819), Fullshare Holdings Limited (stock code: 607); Future Bright Mining Holdings Limited (stock code: 2212), Hin Sang Group (International) Holdings Co. Ltd. (stock code: 6893), Easy One Financial Group Limited (stock code: 221), Silk Road Energy Services Group Limited (stock code: 8250), Wang On Group Limited (stock code: 1222), and Wang On Properties Limited (stock code: 1243), which are listed on the Main Board or Growth Enterprise Market of the Stock Exchange with an aggregate value of approximately HK\$83.5 million, representing approximately 91.5% of the fair value of the Group’s held-for-trading investments as at 30 June 2016.

The Group will carefully study the market and the information related to the prospective investees before purchasing any securities and will closely monitor the performance of the shares after purchase as well as adjust the investment strategy in a cautious manner to minimise the impact of market volatility as and when necessary.

Trading Business

Revenue from the Trading Business decreased by approximately 11.3% to approximately HK\$14.6 million for the Period (six months ended 30 June 2015: approximately HK\$16.5 million). The decrease was mainly attributable to the drop in the number of orders placed by the customers of a trading company in Hong Kong. Such decrease was partially offset by the increase in sales generated by the printing product trading company which was established in the PRC and commenced operation at the end of last year. The segment profit margin decreased by approximately 1.0 percentage point to approximately 6.2% (six months ended 30 June 2015: approximately 7.2%), primarily attributable to the increase in operating costs arisen from the full-scale operation of the trading company in the PRC.

The Group will continue to devote extra resources to expand its sales team in both Hong Kong and the PRC and broaden its customer base and product mix.

Other businesses

Gaming Business

The Group has commenced a new business of the design and development of platforms and software for the gaming industry during the year of 2015. The target markets include but are not limited to Japan, Taiwan, Macau, Mexico, Serbia, the Philippines, the Netherlands and Peru. The Group is actively recruiting talents with extensive technical experience in Hong Kong and the PRC to improve, enhance and enrich the platforms and software being developed and to develop new technology and platform for launch to the global market. As at 30 June 2016, the Group employed more than 50 staffs with different technical background and industry expertise for this business and will continue to expand the team in the future.

Meanwhile, the Group is also actively seeking co-operation opportunities with various software design companies to expand the foothold in the global market through its established platforms and customer network. At the date of this announcement, the Group has built up a network comprising software design companies in seven countries. The Group will press ahead with its efforts in this area to enrich the content of the games.

The efforts put in the business has started to reap success with the first sale made during the Period, and the Group will keep on introducing its technology to other customers in the targeted countries around the world.

“Internet + Community” Business in the PRC

During the year of 2015, the Group commenced a new business in the PRC by acting as an exclusive top-level operator of the neighborhood stores of Vinux (Beijing) Information Technology Co. Ltd. for a term of two years (subject to fulfillment of certain performance targets), renewable for successive terms of one year each upon mutual agreement. During the Period, the operation of the neighborhood stores in Weifang city of Shandong province through a wholly-owned subsidiary of the Company has fulfilled the performance target for the first quarter. As at 30 June 2016, eight stores have been opened in Weifang city. The Group will keep on finding suitable locations to expand the store network in Weifang city.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2016, the Group had cash and cash equivalents and short-term bank deposits of approximately HK\$231.9 million (31 December 2015: approximately HK\$234.1 million). Current ratio stood at 4.3 (31 December 2015: 4.4), indicating an ample cash flow and a stable liquidity position during the Period.

As at 30 June 2016, the Group’s cash and cash equivalents and short-term bank deposits (mainly consist of HK dollar, Renminbi and US dollar) included the amount due to a related company of approximately HK\$20.4 million (31 December 2015: approximately HK\$24.0 million). Gearing ratio was 2.3% as at 30 June 2016 (31 December 2015: 3.5%), which is calculated by dividing the Group’s total borrowings of approximately HK\$20.4 million as at 30 June 2016 (31 December 2015: approximately HK\$30.0 million) by the Group’s total equity of approximately HK\$878.5 million as at 30 June 2016 (31 December 2015: approximately HK\$848.5 million) then multiplying by 100%.

As at 30 June 2016, the Group’s total borrowings represented the amount due to a related company of approximately HK\$20.4 million, which bears a fixed interest rate ranging from 12% to 30% per annum. The Group did not have any bank borrowings as at 30 June 2016 (31 December 2015: short-term unsecured bank borrowings of HK\$6 million).

As at 30 June 2016, the Group had a working capital of approximately HK\$545.6 million (31 December 2015: approximately HK\$521.9 million), which primarily comprised of inventories and record masters and properties under development for sale of approximately HK\$85.9 million, trade and other receivables, prepayments and deposits of approximately HK\$187.1 million and cash and cash equivalents and short-term deposits of approximately HK\$231.9 million, less trade and other payables and accruals of approximately HK\$121.8 million, tax liabilities of approximately HK\$5.0 million and the amount due to a related company of approximately HK\$20.4 million.

The treasury and funding policy of the Group did not change materially from that as disclosed in its annual report for the year ended 31 December 2015.

FOREIGN EXCHANGE RISK

The Group's sales and purchases were 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 necessary. For the Period, the Group did not use any financial instrument for hedging purpose and did not have any outstanding hedging instrument as at 30 June 2016.

CAPITAL EXPENDITURE

During the Period, capital expenditure of the Group for property, plant and equipment amounted to approximately HK\$3.3 million (six months ended 30 June 2015: approximately HK\$2.1 million). The increase was mainly attributable to the acquisition of machinery for production in the PRC and motor vehicles for business use.

CAPITAL COMMITMENTS

As at 30 June 2016, the Group had capital commitments of approximately HK\$13.2 million (31 December 2015: approximately HK\$12.9 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 commitment 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 June 2016 (31 December 2015: nil).

PLEDGE OF ASSETS

As at 30 June 2016, the Group has pledged a leasehold building and an investment property with an aggregate carrying value of approximately HK\$90.2 million to secure general banking facilities granted to the Group (31 December 2015: approximately HK\$87.3 million).

SHARE CAPITAL AND CAPITAL STRUCTURE

Pursuant to a special resolution passed by the shareholders of the Company at the special general meeting of the Company (the “SGM”) held on 1 April 2016, a share consolidation, capital reduction and share sub-division had been taken place and completed on 5 April 2016 (further details of which are set out in the announcement of the Company dated 22 February 2016 and the circular of the Company dated 9 March 2016):

- (i) the share consolidation: every 10 issued and unissued shares of par value of HK\$0.05 each in the share capital of the Company were consolidated into one consolidated share of par value of HK\$0.50 (the “**Consolidated Share**”);
- (ii) the capital reduction: the par value of each of the then issued Consolidated Shares of the Company was reduced from HK\$0.50 to HK\$0.01 by cancelling the paid-up capital of the Company to the extent of HK\$0.49 on each of the then issued Consolidated Shares; and
- (iii) the share sub-division: each of the then authorised but unissued Consolidated Shares of par value of HK\$0.50 each was subdivided into 50 ordinary shares of par value of HK\$0.01 each in the share capital of the Company.

In addition, the board lot size for trading in the shares of the Company has been changed to 10,000 ordinary shares with effect from 5 April 2016.

Save as disclosed above, there was no change in the share capital and capital structure of the Company during the Period.

HUMAN RESOURCES

As at 30 June 2016, the Group had approximately 1,680 full time employees (30 June 2015: approximately 2,050).

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.

MATERIAL ACQUISITION OF A SUBSIDIARY DURING THE PERIOD

On 25 April 2016, a sale and purchase agreement (the "**Sale and Purchase Agreement**") was entered into among We-do-best Limited, a wholly-owned subsidiary of the Company as purchaser, Preserve Capital Realty Limited, a company which is wholly-owned by the trustee of a discretionary trust of which the immediate family member(s) of Mr. Suek Ka Lun, Ernie, an executive Director and the chairman of the Company ("**Mr. Suek**"), is/are one of the discretionary objects as vendor and Mr. Suek as guarantor pursuant to which the Group conditionally agreed to acquire the entire issued share capital of Supreme Cycle Inc. ("**Supreme Cycle**"). The consideration of such acquisition will be the amount of the net asset value of Supreme Cycle at a reference date agreed by the parties but in any event shall not be more than HK\$95 million. Details of such acquisition have been set out in the announcement of the Company dated 25 April 2016 and the circular of the Company dated 20 July 2016.

The principal activities of Supreme Cycle are investment holding and property investment and its principal assets are the commercial properties situated in Yuen Long, Hong Kong. The properties have been operating as a karaoke outlet by a related company of the Group as at 30 June 2016.

The resolution approving the Sale and Purchase Agreement and transactions contemplated thereunder was duly passed by way of poll by the shareholders of the Company at the special general meeting held on 5 August 2016. After all conditions precedent set out in the Sale and Purchase Agreement have been fulfilled, the acquisition will be completed and the financial information of Supreme Cycle will be consolidated in the financial statement of the Group as a wholly-owned subsidiary of the Company. As at the date of this announcement, certain conditions precedent had not yet been fulfilled and the acquisition was not yet completed.

EVENTS AFTER REPORTING PERIOD

On 8 August 2016, the Group entered into two loan extension agreements pursuant to which a wholly-owned subsidiary of the Group agreed to extend the repayment date of each of the loans granted to a corporate borrower, a private company incorporated in Hong Kong with limited liability and principally engaged in trading and investment (the “**Corporate Borrower**”) and the individual borrowers, the directors and shareholders of the Corporate Borrower and who in aggregate hold 70% of the issued share capital of the Corporate Borrower (the “**Individual Borrowers**”) in the principal amount of HK\$5 million and HK\$15 million respectively, both bearing interest at a rate of 12% per annum. The full principal amount of the loans together with the interest accrued thereon shall be repaid by the Corporate Borrower and Individual Borrowers on or before 15 June 2017 (as extended). The loans were secured by first legal charges over certain properties owned by the Corporate Borrower and the Individual Borrowers located in Hong Kong and rental assignment(s) (if any) in respect of the said properties. Details of the loan extension are set out in the announcement of the Company dated 8 August 2016.

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 as code of conduct regarding Directors’ securities transactions. After 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 inside information of the Group.

AUDIT COMMITTEE

The audit committee of the Board (the “**Audit Committee**”) comprises one non-executive Director and two independent non-executive Directors. The Audit Committee has reviewed the Group’s accounting policies, discussed with the Board the auditing, internal controls and financial reporting matters of the Group and 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 met the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to 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.

Provision A.6.7 of the CG Code

All the independent non-executive Directors were unable to attend the SGM as they had other business commitments. In addition, an independent non-executive Director was unable to attend the Annual General Meeting of the Company held on 30 June 2016 as he had other business commitments. Save as mentioned, all non-executive Directors and independent non-executive Directors attended all general meetings of the Company held during the Period.

REVIEW OF INTERIM RESULTS

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

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, 26 August 2016

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.