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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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The board (the “Board”) of directors (the “Directors”) of Neway Group Holdings Limited (“Neway” or the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”, “our Group”, “we” or “us”) for the year ended 31 December 2016 (the “Year”), together with the comparative figures for the year ended 31 December 2015 (“Year 2015”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	2016 HK\$	2015 HK\$
Revenue	3	562,911,033	521,255,661
Gross proceeds from sale of held-for-trading investments		74,508,138	122,362,297
		637,419,171	643,617,958
Revenue	3	562,911,033	521,255,661
Cost of sales		(384,742,566)	(427,777,409)
Gross profit		178,168,467	93,478,252
Interest income		1,990,981	4,531,948
Other income		2,031,543	6,374,126
Selling and distribution expenses		(29,294,729)	(30,625,413)
Administrative expenses		(133,351,116)	(116,747,676)
Other gains and losses		72,586,955	(20,361,885)
Finance costs		(3,907,893)	(3,347,007)
Share of results of joint ventures		(1,500,119)	(1,571,202)

* For identification purpose only

		2016	2015
	<i>NOTES</i>	<i>HK\$</i>	<i>HK\$</i>
Profit (loss) before taxation		86,724,089	(68,268,857)
Taxation (charge) credit	4	<u>(12,720,487)</u>	<u>725,942</u>
Profit (loss) for the year	5	<u>74,003,602</u>	<u>(67,542,915)</u>
Other comprehensive (expense) income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(26,715,082)</u>	<u>(30,998,194)</u>
Total comprehensive income (expense) for the year		<u>47,288,520</u>	<u>(98,541,109)</u>
Profit (loss) for the year attributable to:			
Owners of the Company		74,205,738	(67,261,328)
Non-controlling interests		<u>(202,136)</u>	<u>(281,587)</u>
		<u>74,003,602</u>	<u>(67,542,915)</u>
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		48,443,936	(97,395,768)
Non-controlling interests		<u>(1,155,416)</u>	<u>(1,145,341)</u>
		<u>47,288,520</u>	<u>(98,541,109)</u>
Earnings (loss) per share			(restated)
Basic	7	<u>33.60 HK cents</u>	<u>(36.54) HK cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	<i>NOTES</i>	31.12.2016 <i>HK\$</i>	31.12.2015 <i>HK\$</i>
Non-current assets			
Property, plant and equipment		136,221,165	151,391,617
Prepaid lease payments		28,767,708	29,433,639
Investment properties		190,125,000	76,365,000
Deposits for land use rights		17,378,953	17,485,995
Available-for-sale investments	<i>8</i>	41,735,027	40,844,006
Loans to joint ventures	<i>9</i>	2,216,491	13,253,626
Interests in joint ventures	<i>9</i>	424,647	427,900
Deposit paid for acquisition of property, plant and equipment		1,370,661	340,258
		<u>418,239,652</u>	<u>329,542,041</u>
Current assets			
Inventories and record masters		35,340,492	39,636,341
Properties under development for sale		42,309,793	44,882,520
Held-for-trading investments		132,247,356	45,089,662
Derivative financial instrument	<i>8</i>	10,416,328	10,369,795
Trade and other receivables, prepayments and deposits	<i>10</i>	175,947,838	178,591,899
Loans to available-for-sale investees		31,256,977	41,162,700
Loans to joint ventures		3,864,955	–
Loans receivable		36,785,343	76,220,410
Prepaid lease payments		665,931	718,048
Amount due from a related company		1,481,546	3,488,638
Tax recoverable		349,534	862,309
Short-term bank deposits		61,766,602	113,390,297
Cash and cash equivalents		165,573,968	120,746,792
		<u>698,006,663</u>	<u>675,159,411</u>

	<i>NOTE</i>	31.12.2016 <i>HK\$</i>	31.12.2015 <i>HK\$</i>
Current liabilities			
Trade and other payables and accruals	<i>11</i>	99,195,766	103,471,119
Tax liabilities		907,785	2,561,911
Amount due to a non-controlling shareholder of a subsidiary		16,744,809	17,908,309
Amount due to a related company		11,536,034	23,330,597
Obligations under finance leases – due within one year		236,890	–
Borrowings		61,343,200	6,000,000
		189,964,484	153,271,936
Net current assets		508,042,179	521,887,475
Total assets less current liabilities		926,281,831	851,429,516
Non-current liabilities			
Amount due to a related company		422,940	673,947
Deferred taxation		11,842,860	3,679,799
Obligation under finance leases – due after one year		182,179	–
		12,447,979	4,353,746
Net assets		913,833,852	847,075,770
Capital and reserves			
Share capital		2,536,395	105,684,728
Reserves		913,837,779	742,775,948
Total attributable to owners of the Company		916,374,174	848,460,676
Non-controlling interests		(2,540,322)	(1,384,906)
Total equity		913,833,852	847,075,770

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to the owners of the Company										
	Share capital HK\$	Share premium HK\$	Deemed contribution from a shareholder HK\$	Capital redemption reserve HK\$	Contributed surplus HK\$	Properties valuation reserve HK\$	Translation reserve HK\$	Retained profits HK\$	Total HK\$	Non- controlling interests HK\$	Total HK\$
At 1 January 2015	73,392,728	257,973,169	188,956,957	62,400	-	56,223,266	56,012,702	189,014,126	821,635,348	(239,565)	821,395,783
Loss for the year	-	-	-	-	-	-	-	(67,261,328)	(67,261,328)	(281,587)	(67,542,915)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(30,134,440)	-	(30,134,440)	(863,754)	(30,998,194)
Total comprehensive expense for the year	-	-	-	-	-	-	(30,134,440)	(67,261,328)	(97,395,768)	(1,145,341)	(98,541,109)
Issue of new shares	32,292,000	95,114,960	-	-	-	-	-	-	127,406,960	-	127,406,960
Transaction costs attributable to issue of new shares	-	(3,185,864)	-	-	-	-	-	-	(3,185,864)	-	(3,185,864)
At 31 December 2015	105,684,728	349,902,265	188,956,957	62,400	-	56,223,266	25,878,262	121,752,798	848,460,676	(1,384,906)	847,075,770
Profit (loss) for the year	-	-	-	-	-	-	-	74,205,738	74,205,738	(202,136)	74,003,602
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(25,761,802)	-	(25,761,802)	(953,280)	(26,715,082)
Total comprehensive (expense) income for the year	-	-	-	-	-	-	(25,761,802)	74,205,738	48,443,936	(1,155,416)	47,288,520
Effect of capital reduction	(103,571,033)	-	-	-	103,571,033	-	-	-	-	-	-
Issue of new shares	422,700	19,444,200	-	-	-	-	-	-	19,866,900	-	19,866,900
Transaction costs attributable to issue of new shares	-	(397,338)	-	-	-	-	-	-	(397,338)	-	(397,338)
At 31 December 2016	<u>2,536,395</u>	<u>368,949,127</u>	<u>188,956,957</u>	<u>62,400</u>	<u>103,571,033</u>	<u>56,223,266</u>	<u>116,460</u>	<u>195,958,536</u>	<u>916,374,174</u>	<u>(2,540,322)</u>	<u>913,833,852</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company acts as an investment holding company.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time in the current year.

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle

Except as described below, the application of the amendments to HKFRSs in the current year had no material impact on the Group’s financial performance and positions for the current year and prior period and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Disclosure initiative

The Group has applied the amendments to HKAS 1 Disclosure Initiative for the first time in the current year. The amendments to HKAS 1 clarify that an entity needs not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. The grouping and ordering of notes have been revised to give prominence to the areas of the Group's activities that management considered to be most relevant to an understanding of the Group's financial performance and financial position. Other than the above presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments ²
HKFRS 15	Revenue from contracts with customers and the related amendments ²
HKFRS 16	Leases ³
Amendments to HKAS 7	Disclosure initiative ¹
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses ¹
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ²
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁴

¹ Effective for annual periods beginning on or after 1 January 2017.

² Effective for annual periods beginning on or after 1 January 2018.

³ Effective for annual periods beginning on or after 1 January 2019.

⁴ Effective for annual periods beginning on or after a date to be determined.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold and services provided by the Group, less discounts and sales related taxes during the year.

Segment revenue and results

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.

During the year ended 31 December 2016, management considered that gaming business (the “Gaming Business”) has become a substantial operating activity of the Group as the Group started to record revenue from the business in the current year. Therefore, the Gaming Business is reported as a new reportable and operating segment for the current year. Figures in the segment information for the year ended 31 December 2015 have been restated for comparative purposes. Expenses in relation to the Gaming Business for the year ended 31 December 2015 previously included in unallocated corporate expenses have been represented and included in the segment loss of the Gaming Business for the current year.

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

- (a) Gaming Business;
- (b) Money lending (the “Lending Business”);
- (c) Manufacturing and sales of printing products (the “Manufacturing and Sales Business”);
- (d) Artistes management, production and distribution of music albums and movies (the “Music and Entertainment Business”);
- (e) Property development and investment (the “Property Business”), including properties development projects and properties investments in the People’s Republic of China (the “PRC”), mini storage business, office leasing and properties leasing and investment in Hong Kong;
- (f) Securities trading (the “Securities Trading Business”); and
- (g) Trading of printing products (the “Trading Business”).

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

	Revenue		Segment profit (loss)	
	2016 HK\$	2015 HK\$	2016 HK\$	2015 HK\$
				(re-presented)
Gaming Business	88,319	–	(19,795,026)	(7,959,791)
Lending Business	8,215,087	7,089,375	3,320,390	1,403,435
Manufacturing and Sales Business	492,941,761	466,163,695	58,337,913	(36,563,273)
Music and Entertainment Business	27,039,363	11,919,662	659,976	(8,204,791)
Property Business	1,713,770	1,010,823	(6,608,054)	5,431,628
Securities Trading Business	–	–	68,591,575	(6,890,866)
Trading Business	32,912,733	35,072,106	2,086,385	2,206,707
Total	<u>562,911,033</u>	<u>521,255,661</u>	<u>106,593,159</u>	<u>(50,576,951)</u>
Bank interest income			1,195,950	1,714,196
Unallocated corporate expenses			(15,480,164)	(14,954,675)
Unallocated other income and other gains and losses			–	4,500,000
Impairment loss recognised in respect of available-for-sale investments			(5,581,603)	(7,765,000)
Unallocated share of results of joint ventures			(3,253)	(3,229)
Loss on disposal of a subsidiary			–	(1,183,198)
Profit (loss) before taxation			<u>86,724,089</u>	<u>(68,268,857)</u>

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

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned/loss incurred by each segment without allocation of bank interest income, unallocated other income and other gains and losses, unallocated corporate expenses, impairment loss recognised in respect of available-for-sale investments, loss on disposal of a subsidiary, unallocated share of results of joint ventures and taxation. This is the measure reported to the Group's management for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

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

As at 31 December 2016

	Gaming Business HK\$	Lending Business HK\$	Manufacturing and Sales Business HK\$	Music and Entertainment Business HK\$	Property Business HK\$	Securities Trading Business HK\$	Trading Business HK\$	Consolidated HK\$
Segment assets	8,253,558	37,294,789	285,627,273	12,881,213	291,477,500	148,337,998	15,762,384	799,634,715
Other assets								<u>316,611,600</u>
Consolidated assets								<u><u>1,116,246,315</u></u>
Segment liabilities	363,124	11,505,016	119,097,575	9,194,593	45,000,946	30,360	3,116,159	188,307,773
Other liabilities								<u>14,104,690</u>
Consolidated liabilities								<u><u>202,412,463</u></u>

As at 31 December 2015 (re-presented)

	Gaming Business HK\$	Lending Business HK\$	Manufacturing and Sales Business HK\$	Music and Entertainment Business HK\$	Property Business HK\$	Securities Trading Business HK\$	Trading Business HK\$	Consolidated HK\$
Segment assets	8,956,387	77,431,090	301,770,162	28,794,325	190,850,057	47,662,489	14,821,027	670,285,537
Other assets								<u>334,415,915</u>
Consolidated assets								<u><u>1,004,701,452</u></u>
Segment liabilities	194,647	24,324,402	94,765,208	6,443,287	18,747,408	30,000	6,331,611	150,836,563
Other liabilities								<u>6,789,119</u>
Consolidated liabilities								<u><u>157,625,682</u></u>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than certain interest in a joint ventures, certain loans to joint ventures and available-for-sale investees, certain available-for-sale investments, certain other receivables, prepayments and deposits, tax recoverable, short-term bank deposits and cash and cash equivalents.
- all liabilities are allocated to operating and reportable segments other than certain other payables and accruals and tax liabilities.

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2016	2015
	HK\$	HK\$
Artistes management fee income	1,309,737	1,124,333
Concerts and shows income	17,491,920	3,350,525
Income from the licensing of the musical works	4,174,044	3,723,210
Loan interest income from money lending business	8,215,087	7,089,375
Other music and entertainment services	1,119,407	639,853
Printing products	525,854,494	501,235,801
Promotion income	1,453,718	1,483,011
Rental income	1,713,770	1,010,823
Sales of albums	1,490,537	1,598,730
Income from Gaming Business	88,319	–
	<u>562,911,033</u>	<u>521,255,661</u>

Geographical information

The Group's income from the Manufacturing and Sales Business is mainly derived from Hong Kong and the PRC. The Lending Business, Trading Business, Music and Entertainment Business and Securities Trading Business are carried out in Hong Kong. The Property Business is carried out in Hong Kong and the PRC. The Gaming Business is carried out outside Hong Kong.

The Group's revenue from external customers and information about non-current assets by geographical location of the customers and assets respectively are detailed below:

	Revenue from		Non-current assets	
	external customers		31.12.2016	31.12.2015
	2016	2015	31.12.2016	31.12.2015
	HK\$	HK\$	HK\$	HK\$
Hong Kong	272,421,151	218,297,503	205,685,947	87,912,943
The PRC	169,249,675	185,323,839	168,602,187	187,531,466
Europe	54,614,355	48,395,233	–	–
United States	39,849,765	35,618,205	–	–
Others	26,776,087	33,620,881	–	–
	<u>562,911,033</u>	<u>521,255,661</u>	<u>374,288,134</u>	<u>275,444,409</u>

Note: Non-current assets exclude available-for-sale investments and loans to joint ventures.

Information about major customers

There was no customer contributing over 10% of total sales of the Group for the years ended 31 December 2016 and 2015.

4. TAXATION CHARGE (CREDIT)

	2016	2015
	HK\$	HK\$
The taxation comprises:		
Hong Kong Profits Tax		
Charge for the year	1,051,300	2,065,811
Under(over)provision in prior years	50,275	(479,402)
	1,101,575	1,586,409
PRC Enterprise Income Tax		
Charge for the year	3,452,851	3,285,064
Overprovision in prior years	–	(3,444,415)
	3,452,851	(159,351)
Deferred tax charge (credit) for the year	8,166,061	(2,153,000)
	12,720,487	(725,942)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

5. PROFIT (LOSS) FOR THE YEAR

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Profit (loss) for the year has been arrived at after charging (crediting):		
Auditor's remuneration	1,800,000	1,800,000
Cost of inventories and record masters recognised as an expense	384,474,527	424,369,536
Write-down of inventories (included in cost of sales)	268,039	3,407,873
Depreciation of property, plant and equipment	11,174,567	15,908,575
<i>Less: capitalised in inventories</i>	(7,456,684)	(9,804,714)
	3,717,883	6,103,861
Amortisation of prepaid lease payments	718,048	708,341
Rental payments in respect of premises under operating leases	13,232,616	12,063,124
Staff costs including directors' emoluments		
– Salaries, wages and other benefits	171,467,227	166,741,627
– Contributions to retirement benefits schemes	9,424,545	9,420,671
<i>Less: capitalised in inventories</i>	(87,536,315)	(103,039,372)
Total staff costs	93,355,457	73,122,926
Research expense (included in administrative expenses)	8,057,556	1,647,016
Dividend income (included in other income)	(715,278)	(267,287)
Income received from termination of disposal of a subsidiary (included in other income)	–	(4,500,000)
Bank interest income (included in interest income)	(1,195,950)	(1,714,196)
Effective interest income on loan to an available-for-sale investee (included in interest income)	(795,031)	(2,817,752)
Gross rental income from investment properties	(1,713,770)	(1,010,823)
<i>Less: Direct operating expenses incurred for investment properties that generated rental income during the year</i>	54,072	4,514
	(1,659,698)	(1,006,309)

6. DIVIDENDS

No dividend was paid, declared or proposed for the years ended 31 December 2016 and 2015, nor has any dividend been proposed since the end of the reporting period.

7. EARNINGS (LOSS) PER SHARE

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

	2016 HK\$	2015 <i>HK\$</i>
Profit (loss) for the purposes of calculating basic earnings (loss) per share	<u>74,205,738</u>	<u>(67,261,328)</u>
	2016	2015 (Restated)
Weighted average number of shares		
Weighted average number of shares in issue for the purposes of calculating basic earnings (loss) per share	<u>220,839,784</u>	<u>184,055,911</u>

No separate diluted earnings (loss) per share information has been presented as there were no potential ordinary shares outstanding for both 2016 and 2015.

The number of ordinary shares for the calculation of the basic loss per share for the year ended 31 December 2015 has been adjusted to reflect the impact of the share consolidation effected on 5 April 2016.

8. AVAILABLE-FOR-SALE INVESTMENTS/DERIVATIVE FINANCIAL INSTRUMENT

Available-for-sale investments

	31.12.2016 <i>HK\$</i>	31.12.2015 <i>HK\$</i>
Available-for-sale investments comprise:		
Club membership	3,403,700	3,403,700
Equity securities established in the PRC measured at fair value	14,142,889	15,044,294
Equity securities established in the PRC measured at cost (<i>note</i>)	11,163,206	17,908,309
Equity securities established in Hong Kong and overseas measured at cost (<i>note</i>)	<u>13,025,232</u>	<u>4,487,703</u>
	<u><u>41,735,027</u></u>	<u><u>40,844,006</u></u>

Note:

As at 31 December 2016 and 2015, the Group has investments in six equity securities which were held for an identified long term strategic purpose. The available-for-sale investments are measured at cost less impairment at the end of the reporting period because the ranges of reasonable fair value estimates are so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

During the year ended 31 December 2016, there was an additional investment of HK\$6,160,095 in equity securities established in Hong Kong as the directors of the Company waived the shareholder's loan to such investee with the same balance for long term strategic purpose. There is no change on the shareholding over the available-for-sale investments upon the waiver of the loan.

Derivative financial instrument

Pursuant to a supplemental put option agreement entered into between the Group and 四川英華房地產有限公司 (“英華房地產”) on 26 February 2016, the put option to dispose of the Group's entire equity interest in 英華房地產 can be exercised within 6 months from 1 January 2017 and the cut-off date in relation to the performance target was deferred to 31 December 2016.

9. LOANS TO JOINT VENTURES/INTERESTS IN JOINT VENTURES

	31.12.2016	31.12.2015
	<i>HK\$</i>	<i>HK\$</i>
Costs of investments in unlisted joint ventures	16	16
Share of post-acquisition profit and other comprehensive income	<u>424,631</u>	<u>427,884</u>
	<u>424,647</u>	<u>427,900</u>
Loan to Reliance Partner Limited	3,864,955	5,364,955
Loan to Estate Summit Limited	10,549,667	9,456,641
Share of post-acquisition losses and other comprehensive expense	(3,064,836)	(1,567,970)
Impairment loss recognised	<u>(5,268,340)</u>	<u>–</u>
	6,081,446	13,253,626
<i>Less:</i> Amount repayable within one year shown under current asset	<u>(3,864,955)</u>	<u>–</u>
Amount repayable after one year	<u>2,216,491</u>	<u>13,253,626</u>

10. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

The Group's credit terms of the 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 its customers of the Music and Entertainment Business. The following is an aged analysis of the trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	31.12.2016	31.12.2015
	<i>HK\$</i>	<i>HK\$</i>
Manufacturing and Sales Business and Trading Business:		
0 – 30 days	103,298,949	115,367,170
31 – 60 days	14,440,858	13,399,376
61 – 90 days	12,186,438	6,028,114
Over 90 days	7,041,536	5,828,189
	<u>136,967,781</u>	<u>140,622,849</u>
Music and Entertainment Business:		
0 – 30 days	1,290,956	1,052,705
31 – 60 days	355,138	414,729
61 – 90 days	210,747	166,120
Over 90 days	1,212,033	1,960,461
	<u>3,068,874</u>	<u>3,594,015</u>
Total trade receivables	140,036,655	144,216,864
Deposits with brokers' houses	16,065,842	2,505,412
Deposits, prepayments and other receivables	19,845,341	31,869,623
	<u><u>175,947,838</u></u>	<u><u>178,591,899</u></u>

11. TRADE AND OTHER PAYABLES AND ACCRUALS

The following is an aged analysis of trade payable presented based on the invoice date at the end of the reporting period:

	31.12.2016	31.12.2015
	<i>HK\$</i>	<i>HK\$</i>
0 – 30 days	25,187,136	42,834,847
31 – 60 days	16,436,033	12,280,588
61 – 90 days	6,869,131	2,075,544
Over 90 days	2,408,527	2,850,465
	50,900,827	60,041,444
Accrued expenses and other payables	48,294,939	43,429,675
	99,195,766	103,471,119

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the Year, the Group devoted more efforts in increasing the turnover of its various business segments and adopted several cost control policies, especially for the Manufacturing and Sales Business. As a result, the Group made a turnaround from a loss of approximately HK\$67.5 million for Year 2015 to a profit of approximately HK\$74.0 million for the Year. Remarkable improvement and increase in profit was noted in the Lending Business, the Manufacturing and Sales Business, the Music and Entertainment Business and the Securities Trading Business.

The Gaming Business, which commenced operation in Year 2015, was presented as a new reportable and operating segment in the annual results of the Group for the Year. In light of the increasing management attention and financial and human resources devoted to the Gaming Business, the management considered that the presentation of a new segment will facilitate a better review of Group's overall performance in various aspects. The detailed business and financial review of each business segment is stated below.

BUSINESS AND FINANCIAL REVIEW

Revenue and Gross Profit Margin

During the Year, total revenue of the Group was approximately HK\$562.9 million (Year 2015: approximately HK\$521.3 million), the gross profit margin for the Year increased to 31.7% (Year 2015: 17.9%). The segments' respective contributions to the revenue of the Group are as follows:

	2016 <i>HK\$</i>	Approximate % to total revenue	2015 <i>HK\$</i>	Approximate % to total revenue
Gaming Business	88,319	0.0%	–	–
Lending Business	8,215,087	1.5%	7,089,375	1.4%
Manufacturing and Sales Business	492,941,761	87.6%	466,163,695	89.4%
Music and Entertainment Business	27,039,363	4.8%	11,919,662	2.3%
Property Business	1,713,770	0.3%	1,010,823	0.2%
Trading Business	32,912,733	5.8%	35,072,106	6.7%
Total revenue	562,911,033	100%	521,255,661	100%

Gaming Business

The Group commenced the business of design and development of platforms and software for the gaming industry in 2015. With the increasing management attention and financial and human resources allocated to this business, it was presented as a new business segment in the annual report of the Company for the Year. During the Year, the Group established specialised teams with extensive technical experiences in Hong Kong and the People's Republic of China (the "PRC") respectively, which were responsible for improving, enriching and enhancing the existing platform and software and developing new technologies to raise the awareness of the Gaming Business in the global market. As at 31 December 2016, the target markets of the business included, but were not limited to, Japan, Taiwan, Macau, Mexico, Serbia, the Philippines, the Netherlands and Peru. The Group devoted more resources in marketing and

promotion, such as participating in various international gaming exhibitions held in Macau, Mexico and San Francisco to introduce and promote the business concepts and ideas to potential partners and customers all over the world during the Year.

The Group has been actively seeking co-operation opportunities with various software design companies to enrich the content of its games and to expand its customer network in the global market. Meanwhile, the Group is also actively recruiting sales and marketing personnel in order to reach more overseas customers. During the Year, the Group was granted the license of Gaming Laboratories International (GLI®) and had deployed its products to Mexico by the end of the Year. The Group expects that more products will be introduced to other regions of the world in coming years.

Lending Business

The Lending Business included 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 Year and the Group is still in search for deals with potential.

For the money lending business in Hong Kong, the Group was actively expanding the customer base and its loan portfolio during the Year. Customers of the business included both individuals and corporate entities and the majority of loans were secured by properties located in Hong Kong. No default has been recorded since the commencement of business and majority of interest income was received on time. During the Year, the loan interest income increased by approximately 15.9% to approximately HK\$8.2 million (Year 2015: approximately HK\$7.1 million). The Group will continue to allocate additional funding to expand the money lending business in Hong Kong, 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

This segment principally included the manufacturing and sales of printing products, such as packaging boxes, labels and paper products. During the Year, the Group introduced a new product line, namely paper shopping bags. The customer base of this segment covered the worldwide market.

During the Year, two key focuses were adopted for the Manufacturing and Sales Business, including: (i) continuing cost reduction, as well as efficiency and quality enhancement of the factories in the PRC; and (ii) expansion of sales network to customers with higher profit margin. A new product line, namely paper shopping bags, was also introduced. After years of efforts put in this business for improving its financial results and product quality, the business made a remarkable turnaround from a segment loss of approximately HK\$36.6 million in Year 2015 to a segment profit of approximately HK\$58.3 million for the Year, which was mainly attributable to the increasing revenue and the significant reduction in production costs and material costs following the streamlining of the production process and increased productivity and production efficiency of the factories of the Group.

The segment profit for the Year was approximately HK\$58.3 million (Year 2015: segment loss of approximately HK\$36.6 million). The segment profit margin for the Year was approximately 11.8% (Year 2015: segment loss margin of approximately 7.8%). The improvement in segment margin was mainly due to the following reasons:

- (i) the revenue from the Manufacturing and Sales Business increased by approximately 5.7% to approximately HK\$492.9 million (Year 2015: approximately HK\$466.2 million), primarily attributable to the increase in export sales. During the Year, the Group successfully introduced a new product line, namely paper shopping bags, which targets at overseas customers. At the same time, more orders were placed by some of the Group's existing customers, resulting in an increase of the segment revenue for the Year.
- (ii) there was a drop in staff costs during the Year. The ratio of total staff costs to sales was approximately 29.3% for the Year (Year 2015: approximately 33.5%). The decrease in such ratio was due to the higher sales volume with less manpower recorded for the Year following of a series of tightening policies adopted in the Year to boost production efficiency and streamline the workflow. The average number of headcount in this segment decreased by approximately 20% as compared with last year. Furthermore, no upward adjustment to the minimum wages in Shenzhen was made by the PRC government during the Year and this alleviated the pressure of rising staff costs and other related costs. Meanwhile, a more attractive reward system was designed to award those employees with improved performance, so as to enhance the overall production efficiency of this segment.

- (iii) the Group has recognised an one-off impairment loss of approximately HK\$9.2 million for Year 2015 in respect of the non-current assets of the Manufacturing and Sales Business, while no such impairment loss was recorded for the Year.
- (iv) in order to reduce wastage and materials consumption, the Group took various measures during the Year to control materials and other costs. These measures were reviewed by the management and respective department head monthly through continuous checking against various pre-set key performance indicators. Investigation and remedial actions would be made immediately as and when necessary. The materials consumption ratio dropped by more than 5% as compared with Year 2015, which were attributable to the reduced consumption of both main and ancillary materials. Some production flows and location of departments were re-designed to reduce the wastage and loss incurred in in-house transportation of materials and products. Such process will continue in the year of 2017. During the Year, some machines were acquired or replaced by newer models, facilitating a better usage of materials in all aspects. All the above measures also brought positive results in decreasing fuel and utility expenses and other daily operating expenses.
- (v) the business also took advantages from the depreciation of Renminbi against Hong Kong dollars during the Year. The average exchange rate of Renminbi to Hong Kong dollars decreased by approximately 6% as compared with Year 2015. As most of the production costs and operating expenses were denominated in Renminbi and approximately 80% sales of this segment was denominated in Hong Kong dollars and other currencies, the depreciation of Renminbi lessen the cost pressure of the Group.

Music and Entertainment Business

Segment profit for the Year was approximately HK\$660,000 (Year 2015: segment loss of approximately HK\$8.2 million). The improvement in segment results was due to the following reasons:

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

During the Year, revenue from the Music and Entertainment Business increased significantly by approximately 126.8% to approximately HK\$27.0 million (Year 2015: approximately HK\$11.9 million). Such increase was mainly due to: (i) the increase in income from concerts and shows which contributed approximately HK\$17.5 million to the segment revenue for the Year (Year 2015: approximately HK\$3.4 million); and (ii) the increase in song licensing income by approximately 12.1% as compared with the same period last year;

- (ii) the absence of an one-off impairment loss of approximately HK\$5.3 million recognised in respect of intangible assets during Year 2015; and
- (iii) in 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 Year was approximately HK\$2.6 million, making an average return of approximately 16.9%.

Property Business

Property development business

The Group had two property development projects as at 31 December 2016. One of which involved 四川英華房地產有限公司 (“英華房地產”) and was classified as an available-for-sale investment in the consolidated statement of financial position of the Group as at 31 December 2016. The other property 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 Company.

英華房地產 holds the land use right of a parcel of commercial land in Chengdu. The related property consisted of both residential and commercial units. The construction work commenced in 2014 and was completed as at the date of this announcement. The pre-sale of the project was almost completed, the residential units were nearly sold out and titles commenced to be delivered to buyers. As at the date of this announcement, some car parking spaces and the shopping complex are still available for sale.

In 2013, the Group invested in 英華房地產 by way of capital injection in an amount of RMB10 million and provision of a shareholder's loan in an amount of RMB30 million (the "Ying Wah Shareholder's Loan"). During the Year, (i) the Group entered into two supplemental shareholder's loan agreements with 英華房地產 pursuant to which the maturity date of the Ying Wah Shareholder's Loan was extended from 19 March 2016 to 30 June 2017, which would allow the Group to have sufficient time to evaluate the financial performance of 英華房地產; and (ii) 英華房地產 partially repaid the Ying Wah Shareholder's Loan in the amount of RMB2 million.

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 a total value of RMB23,400,000, an order was granted by the People's Court of Baoan District during the Year to freeze and preserve the two parcels of land owned by 中清房地產 from 24 June 2014 to 23 June 2016 (the "Freeze Order"). The Freeze Order aimed to ensure that 中清房地產 has sufficient assets to repay the shareholder's loan to the Group.

Two hearings sessions of the Litigation were held on 18 August 2014 and 25 September 2014 respectively. On 15 October 2014, the Group received the civil mediation document (民事調解書) dated 30 September 2014 and issued by the People's Court of Baoan District, acknowledging 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 a sum of RMB23,479,330; (ii) 中清房地產 agreed to repay to 中星國盛 a sum of RMB23,479,330, together with interests accrued from 18 June 2014 to the date of repayment, which was within 15 days of the effective date of the civil mediation document; and (iii) 中清房地產 fails to repay the agreed amount, 中星國盛 shall be entitled to request 中清房地產 to pay default interests 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 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 the announcement, 中清房地產 has not repaid the outstanding shareholder's loan and 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 issue, 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 interest as and when appropriate.

Property investment business

The property investment business included (i) the mini storage business operated by a wholly-owned subsidiary of the Company; (ii) the office leasing business operated by a joint venture; and (iii) the leasing of several commercial units to a related company by a wholly-owned subsidiary of the Company during the Year.

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 2014 for the operation of the mini storage business. As at 31 December 2016, the occupancy rate of the storage units increased to approximately 68% (31 December 2015: approximately 42%). During the Year, 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 also worked with external professionals to evaluate the safety requirements stipulated by the relevant government bodies and to estimate the costs that might incur. The Group will continue its marketing efforts put in this business in order to uplift the occupancy rate of the Fanling Building. The Group will also pay close attention to the recent development of the regulations imposed on the mini storage industry.

Office leasing business

The office leasing business, being the operation of the business service centre 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. A brand name of “Prime Business Centres” was established and approximately 61% of units was rented out as at 31 December 2016 (31 December 2015: approximately 41%). During the Year, the business encountered keen competition in Kwun Tong district and rental price of offices was lowered in order to attract more tenants. The highest occupancy rate during the Year was approximately 92%.

Considering the keen market competition in the industry and the operating forecast for the business centre, an impairment loss of approximately HK\$5.3 million was made during the Year (Year 2015: nil).

Nevertheless, in view of the increasing rental expenses of office premises and the large demand for small-sized offices from small enterprises in Hong Kong, the Group positively believes that there remains huge potential in the office leasing business in Hong Kong. The Group will devote more marketing efforts to boost the occupancy rate of the business service centre.

Properties leasing and investment

In order to expand the Property Business with a view to broaden the Group’s earning base, the Group acquired the entire issued share capital of Supreme Cycle Inc. (“Supreme Cycle”) from a related company on 30 November 2016 at a consideration of approximately HK\$87.1 million (the “Acquisition”). 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 “Yuen Long Properties”). Pursuant to a tenancy agreement (the “Tenancy Agreement”) signed by Supreme Cycle on 16 March 2016, the Yuen Long Properties have been leased to a related company of the Group and operating as a karaoke outlet as at 31 December 2016. Such tenancy forms part of the Group’s Property Business since Supreme Cycle has become a wholly-owned subsidiary of the Company and its financial information was consolidated into the Group’s consolidated financial statement for the Year upon completion of the Acquisition.

In view of the steady rental income generated under the Tenancy Agreement and the rapid development and growing population and business activities in the area, the Directors considered that the Acquisition and continuation of the Tenancy Agreement upon completion allowed the Group to increase the income and enjoy capital appreciation potential in the future.

For details, please refer to the paragraphs headed “Material Acquisition of a Company during the Year” on pages 38 to 39 of this announcement.

According to the Group’s accounting standards, the ground floor, 1st, 2nd floor and half of the floor area of 4th floor of the Fanling Building and the Yuen Long Properties were classified as investment properties of the Group. The investment properties were carried at market value and a fair value gain of approximately HK\$631,000 was recorded in other gains and losses of the Group during the Year.

Trading Business

The Trading Business included (i) the trading of printing products in Hong Kong and the PRC; and (ii) the operation of neighbourhood stores in the PRC.

Revenue from the Trading Business decreased by approximately 6.2% to approximately HK\$32.9 million (Year 2015: approximately HK\$35.1 million). The decrease was mainly attributable to the drop in number of orders placed by customers of a trading company in Hong Kong. Such decrease was partially offset by the increase in sales generated by a printing product trading company in the PRC and the sales contributed by the operation of neighbourhood stores in the PRC. The business of operating neighbourhood stores in the PRC commenced in 2015.

The profit margin remained stable as compared with Year 2015 due to the tightened cost control measures adopted in the Trading Business which offset the impact of decreasing revenue. The revenue generated from neighbourhood stores in the PRC represented approximately 2.0% of total revenue of the Trading Business (Year 2015: nil). As at 31 December 2016, six stores have been opened in Weifang city of Shandong province.

Securities Trading Business and available-for-sales investments of the Group

During the Year, the Group recorded a fair value gain of approximately HK\$80.0 million (including a realised gain of approximately HK\$4.0 million) and a dividend income of approximately HK\$715,000 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 Year.

Set out below is the breakdown of the Group's available-for-sales investments and held-for-trading investments as at 31 December 2016:

Description of investments	Notes	Carrying	Percentage to	Percentage to
		amount as at 31 December 2016	the Group's audited net assets as at 31 December 2016	the Group's audited total assets as at 31 December 2016
		HK\$	(approximate) HK\$	HK\$
Available-for-sales investments				
Club membership		3,403,700	0.4%	0.3%
Equity investment, at fair value		14,142,889	1.5%	1.3%
Equity investments, at cost	(a)	24,188,438	2.6%	2.2%
Held-for-trading investments				
Wang On Properties Limited (stock code: 1243)		83,216,000	9.1%	7.5%
Other equity securities listed in Hong Kong	(b)	49,031,356	5.4%	4.4%
Total		<u>173,982,383</u>	<u>19.0%</u>	<u>15.6%</u>

Notes:

- (a) Equity investments carried at cost under the category of available-for-sales investments represented the Group's investments in five companies incorporated in Hong Kong, the PRC and overseas.
- (b) Equity securities listed in Hong Kong under the category of held-for-trading investments represented the Group's investments in 17 companies whose shares are listed on the Main Board or the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Each of such investments has a carrying amount that account for less than 5% of the Group's audited net assets as at 31 December 2016.

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

OTHER GAINS AND LOSSES

Other gains and losses comprised the following major items:

	2016	2015
	HK\$	HK\$
Change in fair value in derivative financial instrument	752,339	4,101,597
Change in fair value in held-for-trading investments	79,983,930	(6,673,489)
Change in fair value in investment properties	630,600	2,265,000
Impairment loss recognised in respect of available-for-sale investments (<i>Note 1</i>)	(5,581,603)	(7,765,000)
Impairment loss recognised in respect of intangible assets (<i>Note 2</i>)	–	(5,317,632)
Impairment loss recognised in respect of property, plant and equipment (<i>Note 3</i>)	–	(9,156,985)
Impairment loss recognised in respect of a jointly controlled entity (<i>Note 4</i>)	(5,268,340)	–
Loss on disposal of property, plant and equipment	(26,709)	(2,674)
Loss on disposal of a subsidiary	–	(1,183,198)
Net foreign exchange gains	3,812,271	3,101,642
(Allowance for) reversal of bad and doubtful debts	(1,715,533)	268,854
	<u>72,586,955</u>	<u>(20,361,885)</u>
Total	<u>72,586,955</u>	<u>(20,361,885)</u>

Notes:

- (1) The Group entered into a share subscription agreement on 30 July 2015 to subscribe for 10% of the total issued share capital of 北京愛美微科技有限公司 (“愛美微”), which is principally engaged in the provision of professional cleaning and repairing services for shoes and luxury bags in Beijing, the PRC, at a total investment cost of HK\$5.6 million. 愛美微 actively opened its stores in Beijing during years 2015 and 2016. However, given the keen competition in the local market, 愛美微 was unable to compete with large corporations which devoted more financial resources in expanding their market share. As at the date of this announcement, shareholders of 愛美微 decided to cease the operation of all its stores and full impairment was made in the Year.

The Group entered into a share subscription agreement on 11 February 2015 to subscribe for 4.41% of the total issued share capital of Soliton Holdings Limited (“Soliton”), which is principally engaged in cloud-based and cross-device enabled digital music streaming service with over 1,700,000 music tracks and videos. Soliton is responsible for providing digital music streaming services to the wholly-owned subsidiaries of the Group. In Year 2015, the management of Soliton failed to implement the investment plan as scheduled and the return on investment was uncertain. In view of the uncertainty on the recoverability of investment, full impairment was made in Year 2015.

- (2) In Year 2015, the Group recognised an impairment loss in respect of the trademarks, which was classified as intangible assets, of the Music and Entertainment Business. No such impairment loss was made during the Year.
- (3) In Year 2015, the Group recognised an impairment loss in respect of the property, plant and equipment of the Manufacturing and Sales Business. No such impairment loss was made during the Year.
- (4) The Group recognised an impairment loss in respect of the investment made in a jointly controlled entity principally engaged in the Property Business. For the reason of impairment, please refer to the financial review of Property Business stated above.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

The following table sets out the Group's current ratio, quick ratio and gearing ratio as at 31 December 2016 and 31 December 2015:

	<i>Notes</i>	As at 31 December 2016	As at 31 December 2015
Current ratio	<i>(i)</i>	3.7	4.4
Quick ratio	<i>(ii)</i>	3.3	3.9
Gearing ratio (%)	<i>(iii)</i>	8.1	3.5

Notes:

- (i) Current ratio is calculated by dividing total current assets by total current liabilities as at the end of the year.
- (ii) Quick ratio is calculated by dividing the difference between total current assets and inventories (including properties under development for sale) by total current liabilities as at the end of the year.
- (iii) Gearing ratio is calculated by dividing total borrowings by total equity as at the end of the year and then multiplying it by 100%. The total borrowings included the amount due to a related company, bank borrowings and finance lease obligations.

As at 31 December 2016, the Group had short-term bank deposits and cash and cash equivalents of approximately HK\$227.3 million (31 December 2015: approximately HK\$234.1 million) and total borrowings of approximately HK\$73.7 million (31 December 2015: approximately HK\$30.0 million). The total borrowings included the amount due to a related company, bank borrowings and finance lease obligations. The liquidity of the Group remained strong and healthy as compared with Year 2015. The sharp increase in gearing ratio to 8.1% as at 31 December 2016 (31 December 2015: 3.5%) was mainly due to the increase in borrowings after the acquisition of Supreme Cycle which was engaged in property investment in Hong Kong during the Year.

The current ratio and quick ratio as at 31 December 2016 decreased as compared with the respective figures as at 31 December 2015. It was mainly attributable to (i) the increase in short-term borrowings after the acquisition of Supreme Cycle; and (ii) the decrease in loan receivables.

The Group generally financed its operation with cash flows generated internally and bank facilities granted in Hong Kong and the PRC. Taking into account the amount of the anticipated funds generated internally and the available banking facilities, the Group will have adequate resources to meet its future capital expenditure and working capital requirements. The Group will continue to implement its prudent policy in managing cash balances, thereby maintaining a strong and healthy liquidity level and ensuring that any business opportunity will be promptly seized.

FUTURE OUTLOOK

The Group will continue to strengthen, develop and diversify its portfolio to further establish sustainable business growth. The Manufacturing and Sales Business continues to be the core of the Group's portfolio. Other business segments, including the Gaming Business, continue to develop and contribute to the Group's portfolio. The Group will remain committed to this diversification strategy to generate stable return and promising business growth to its shareholders.

Gaming Business

Product deployment and expansion of distribution network will be the main focus of the Gaming Business in coming years. The Group will continue to recruit talents with extensive technical, sales and marketing experiences in Hong Kong and the PRC for continuous product enhancement and speeding up the expansion of international distribution network. Meanwhile, the Group is actively seeking co-operation opportunities with various software design companies to enlarge its share in the global market through its established platforms and customer networks.

Lending Business

Due to the keen competition of the industry and the volatile economic environment, the risks and difficulties facing by the Lending Business may increase in the course of enlarging its loan portfolio. The Group will actively seek for new customers and allocate more financial resources to expand this business in the future. At the same time, the Group will also closely monitor the repayment abilities of borrowers and perform risk assessments on each loan application in a more prudent way.

Manufacturing and Sales Business and Trading Business

The series of costs control measures adopted since 2015 brought positive impact on the segments' results during the Year. In particular, they delivered the encouraging performance of the Manufacturing and Sales Business. More challenges are expected in 2017, including but not limited to (i) the increase in raw materials prices; (ii) the increase in labour costs in Shenzhen; (iii) the increase in various environmental requirements in Shenzhen; and (iv) the global economic uncertainty that may adversely affect the business of the export sales customers.

To cope with these challenges facing the printing industry and to maintain the positive results in the future, the Group will continue to put more efforts in the following areas: (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 introduction of new product lines to enhance its competitiveness as a whole; (iv) continuous efforts in sourcing and testing the quality of alternative materials and negotiating more favourable terms with vendors; and (v) expansion of its market share to cover high value products and securing a foothold in the paper shopping bag market.

The Group will continue to adopt prudent measures to enhance the overall efficiency, expand customer networks, increase its value proposition and improve its business model to overcome the uncertainty in the PRC and global economy in coming years.

Music and Entertainment Business

In coming years, the Group will allocate more financial resources in professional training, promotion services and investment and organisations of concerts and shows. In view of the desirable investment return generated during the Year, the Group will continue to invest in the film and entertainment market in the PRC and to identify and evaluate potential projects in the PRC and overseas.

Securities Trading Business and Property Business

The Group will closely monitor the market and market data related to prospective investees before committing to any securities investment.

For the Property Business, the Group will devote more marketing efforts in promoting the mini storage business and business service centre business to increase the occupancy rate of properties of both businesses. For the mini storage business, the Group will pay attention to the development of any new rule and regulation to be imposed on the industry and evaluate their potential financial impact on the business.

FUND RAISING ACTIVITY

Set out below is the fund raising activity conducted by the Company during the Year and the usage of the net proceeds up to the date of this announcement.

On 27 September 2016, the Company and a placing agent entered into a placing agreement pursuant to which the Company had appointed the placing agent to procure, on best endeavor basis, not less than six placees to subscribe for 42,270,000 shares of the Company at a price of HK\$0.47 per placing share (the “September Placing”). The placing price of HK\$0.47 per share represented a discount of approximately 18.97% to the closing price of HK\$0.58 per share as quoted on the Stock Exchange on 27 September 2016, which was the date of the placing agreement. Completion of the placing took place on 11 October 2016. An aggregate of 42,270,000 placing shares were successfully placed and the aggregate nominal value of the placing shares was HK\$422,700. The placing shares were allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 30 June 2016. The net proceeds from the placing were approximately HK\$19.36 million and were intended to be utilised as to (i) approximately two-third for the renovation of the manufacturing facilities of the Group in the PRC and the acquisition of machinery for the manufacturing of the printing products of the Group; and (ii) approximately one-third for the general working capital of the Group. As at the date of this announcement, approximately HK\$6.5 million out of the net proceeds was utilised for general working capital of the Group and approximately HK\$7.0 million out of the net proceeds was utilised for the renovation of the manufacturing facilities of the Group in the PRC and the acquisition of machinery for the manufacturing of the printing products of the Group as intended. The net issue price was approximately HK\$0.458 per placing share.

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 of HK dollar and US dollar throughout the Year. The management will closely monitor the foreign exchange rate risk of Renminbi, and identify any significant adverse impact on the PRC operations as caused by such risk. If necessary, the Group will consider using appropriate hedging solutions. During the Year, the Group had not used any financial instruments for hedging purpose and it did not have any outstanding hedging instruments as at 31 December 2016.

CAPITAL EXPENDITURE

For the Year, capital expenditure of the Group for property, plant and equipment amounted to approximately HK\$6.9 million (Year 2015: approximately HK\$7.6 million). The capital expenditure for the Year was mainly attributable to the acquisition of machinery for production in the PRC.

CAPITAL COMMITMENTS

As at 31 December 2016, the Group had capital commitments of approximately HK\$13.7 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 commitments for the acquisition of property, plant and equipment that had been authorised but not contracted for in both reporting periods.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2016 (31 December 2015: nil).

PLEDGE OF ASSETS

As at 31 December 2016, the Group had pledged a leasehold building and investment properties with an aggregate carrying value of approximately HK\$200.7 million to secure the mortgage loan of certain investment properties and general banking facilities granted to the Group (31 December 2015: approximately HK\$87.3 million).

As at 31 December 2016, none of the Group's property, plant and equipment was pledged to secure other borrowings granted to the Group (31 December 2015: nil).

SHARE CAPITAL AND CAPITAL STRUCTURE AND CHANGE IN BOARD LOTS SIZE

(A) Capital Reorganisation

Pursuant to a special resolution passed by the shareholders of the Company at the special general meeting of the Company 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.

(B) September Placing

On 11 October 2016, an aggregate of 42,270,000 shares of HK\$0.01 each in the issued share capital of the Company were allotted and issued under the September Placing, further details of which are set out in the paragraphs headed “Fund Raising Activity” on page 35 of this announcement.

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

HUMAN RESOURCES

As at 31 December 2016, the Group had approximately 1,540 full-time employees (31 December 2015: approximately 1,740). Total staff costs (including directors’ remuneration) for the Year was approximately HK\$180.9 million (Year 2015: approximately HK\$176.2 million). The remuneration schemes are generally structured with reference to market conditions and the qualifications of the employees. The reward packages for the staff in the Group are generally reviewed on an annual basis, depending on the staff’s and the Group’s performance. Apart from salary payments, other staff benefits include contributions to the 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 COMPANY DURING THE YEAR

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, is/are one of the discretionary objects as vendor, and Mr. Suek as guarantor in relation to the acquisition of the entire issued share capital of Supreme Cycle. The consideration of the Acquisition was agreed to be the amount of the net asset value of Supreme Cycle at a reference date agreed by the parties but in any event not be more than HK\$95 million.

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. Completion of the Acquisition took place on 30 November 2016. The final consideration was HK\$87,165,828 and was funded by the internal resources of the Group. Immediately after completion of the Acquisition, Supreme Cycle became a wholly-owned subsidiary of the Company and the financial information of Supreme Cycle was consolidated into the Group's consolidated financial statement.

The principal activities of Supreme Cycle are investment holding and property investment and its principal assets are the Yuen Long Properties. Pursuant to the Tenancy Agreement dated 16 March 2016 entered into between Supreme Cycle as landlord and Well Dragon Limited ("Well Dragon") as tenant, the Yuen Long Properties have been leased to Well Dragon for an initial term of three years from 16 March 2016 to 15 March 2019. Such leasing of the Yuen Long Properties continued after the completion of the Acquisition. Since Well Dragon is wholly owned by a trustee on trust for a discretionary trust of which Mr. Suek is one of the discretionary objects, Well Dragon is a connected person of the Company under the Rules governing the listing of securities of the Stock Exchange (the "Listing Rules") and the transaction contemplated under the Tenancy Agreement became a continuing connected transaction of the Company under the Listing Rules upon completion of the Acquisition. The Yuen Long Properties have been operating as a karaoke outlet by a related company of the Group as at 31 December 2016.

Details of the Acquisition have been set out in the announcements of the Company dated 25 April 2016 and 30 November 2016 and the circular of the Company dated 20 July 2016.

Save for the event above-mentioned, the Group did not have any material acquisition or disposal of subsidiaries or associated companies during the Year.

EVENT AFTER REPORTING PERIOD

Zhongda Printing (Qingyuan) Company Limited (“Zhongda Qingyuan”), a wholly foreign-owned enterprise established in the PRC with limited liability and a wholly-owned subsidiary of the Company, currently owns two parcels of land at Dong Keng Industrial Park, Yuantan Town, Qingcheng District, Qingyuan City, the PRC with a total area of approximately 311.748 mu (the “Existing Land”). The Existing Land is currently vacant. Due to policy driven zone planning, Qingyuan Hi-tech Zone Management Committee requested and Zhongda Qingyuan has agreed to swap the Existing Land with a parcel of land situated at Dongkeng Cun Management Committee (東坑村委會) Yuantan Town, Qingcheng District, Qingyuan City, the PRC with a total area of 312 mu (the “New Land”) and the compensatory payment payable to Zhongda Qingyuan (the “Land Swap”). On 17 March 2017, Qingyuan Hi-tech Zone Management Committee (being 廣東清遠高新技術產業開發區管理委員會 (unofficial English translation being Guangdong Qingyuan New High Technology Industrial Development Zone Management Committee)), Qingcheng Government (being 清遠市清城區源潭鎮人民政府 (unofficial English translation as Qingyuan City Qingcheng District Yuantan Town People’s Government)), and Zhongda Qingyuan entered into the land swap agreement and the compensation agreement. Qingyuan Hi-tech Zone Management Committee and Zhongda Qingyuan agreed that the price for the Existing Land and the New Land are the same and set as RMB57,200,000. In connection with the Land Swap, Qingyuan Hi-tech Zone Management Committee has also agreed to pay the compensatory payment of RMB45,009,700 to Zhongda Qingyuan. The land swap agreement will only become effective after the shareholders of the Company have approved the land swap agreement at the special general meeting of the Company to be convened. Details of the Land Swap has been set out in the announcement of the Company dated 17 March 2017.

DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (Year 2015: nil).

ANNUAL GENERAL MEETING

An annual general meeting of the Company will be held on Friday, 30 June 2017 (the “2017 AGM”), notice of which will be published and despatched to the Shareholders as soon as practicable in accordance with the Company’s Bye-laws and the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the right to attend the 2017 AGM, the register of members of the Company will be closed for registration of transfer of the Shares from Monday, 26 June 2017 to Friday, 30 June 2017, both dates inclusive. In order to qualify for the entitlement to attend and vote at the 2017 AGM, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by 4:30 p.m. (Hong Kong time) on Friday, 23 June 2017.

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 Year.

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 the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules throughout the Year, except for the following deviations:

Provision A.2.7 of the CG Code

Provision A.2.7 of the CG Code requires the chairman of the Board (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, namely Mr. Suek, was himself an executive Director during the Year 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 special general meetings of the Company held on 1 April 2016 and 19 December 2016 as they had other important business engagements at the relevant time. 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. For the special general meeting of the Company held on 5 August 2016, an independent non-executive Director and a non-executive Director were unable to attend due to 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 Year.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the 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 Year.

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.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Board comprises two independent non-executive Directors and one non-executive Director. The audit committee of the Board has reviewed with the management the accounting policies, discussed with the Board the auditing, internal controls, risk management and financial reporting matters and reviewed the final results and the consolidated financial statements of the Group for the Year. In addition, the consolidated financial statements of the Group for the Year have been audited by the Group's auditor, Messrs. Deloitte Touche Tohmatsu and an unqualified opinion report was issued.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2016 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.newaygroup.com.hk. The annual report will be despatched to the shareholders of the Company and be available on the above websites in April 2017.

APPRECIATION

The Board would like to express its gratitude to all employees for their diligence and contribution. At the same time, the Board is also thankful for the support it has from all the customers, suppliers and shareholders of the Group.

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

Hong Kong, 24 March 2017

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.