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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 2020

The board (the "Board") of directors (the "Directors") of Neway Group Holdings Limited ("Neway" or the "Company") announces 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 2020 (the "Year"), together with the comparative figures for the year ended 31 December 2019 ("Year 2019") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	HK$	*HK$*
Total revenue	**532,674,495**	560,585,247
Gross proceeds from sale of listed equity	**27,965,562**	8,955,639
	560,640,057	569,540,886

* *For identification purpose only*

	NOTES	2020 HK$	2019 HK$
Continuing operations			
Revenue	*4*		
Revenue from goods and services		**521,037,413**	544,782,853
Rental income		**4,880,323**	7,310,989
Interest income from lending business		**6,756,759**	8,491,405
Total revenue from continuing operations		**532,674,495**	560,585,247
Cost of sales and services		**(399,625,483)**	(408,798,120)
Gross profit		**133,049,012**	151,787,127
Other interest income	*6*	**1,237,216**	1,343,276
Other income	*6*	**12,618,577**	5,717,225
Selling and distribution expenses		**(27,077,778)**	(34,827,860)
Administrative expenses		**(119,751,255)**	(109,972,468)
Other gains and losses		**(50,275,668)**	(24,623,820)
Impairment losses under expected credit loss model on financial assets and contract assets, net of reversal	*6*	**(33,356,591)**	(4,869,880)
Finance costs		**(4,878,062)**	(5,920,964)
Share of results of joint ventures		**(4,000)**	(9,268)
Loss before taxation from continuing operations		**(88,438,549)**	(21,376,632)
Taxation credit (charge)	*5*	**1,121,494**	(5,979,227)
Loss for the year from continuing operations	*6*	**(87,317,055)**	(27,355,859)
Discontinued operation			
Loss for the year from discontinued operation	*7*	**–**	(3,617,421)
Loss for the year		**(87,317,055)**	(30,973,280)

	NOTE	2020 HK$	2019 HK$
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**28,510,531**	(9,129,367)
Transfer of translation reserve to profit or loss upon disposal of a subsidiary		**–**	(960,888)
Item that will not be reclassified to profit or loss:			
Fair value gain on equity instruments at fair value through other comprehensive income ("FVTOCI")		**2,515,681**	–
		31,026,212	(10,090,255)
Total comprehensive expense for the year		**(56,290,843)**	(41,063,535)
Loss for the year attributable to owners of the Company			
– from continuing operations		**(87,187,111)**	(27,165,061)
– from discontinued operation		**–**	(3,617,421)
		(87,187,111)	(30,782,482)
Loss for the year attributable to non-controlling interests			
– from continuing operations		**(129,944)**	(190,798)
		(87,317,055)	(30,973,280)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(56,240,266)**	(40,590,247)
Non-controlling interests		**(50,577)**	(473,288)
		(56,290,843)	(41,063,535)
Loss per share	*9*		
From continuing and discontinued operations			
Basic *(HK cents)*		**(34.37)**	(12.14)
From continuing operations			
Basic *(HK cents)*		**(34.37)**	(10.71)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	NOTES	**2020** HK$	2019 HK$
Non-current assets			
Property, plant and equipment		**249,659,901**	302,279,837
Investment properties		**212,020,086**	220,915,017
Equity instruments at FVTOCI		**17,854,928**	17,854,928
Club membership		**3,403,700**	3,403,700
Prepayments and deposits	*10*	**3,896,181**	4,720,010
Interests in joint ventures		**400,482**	404,482
Loans receivable		**–**	23,010,523
Deposit paid for acquisition of property, plant and equipment		**6,030,978**	11,931,211
Deferred tax assets		**333,359**	–
		493,599,615	584,519,708
Current assets			
Inventories		**35,537,489**	24,334,274
Properties under development for sale		**124,759,125**	42,598,351
Financial assets at fair value through profit or loss ("FVTPL")		**23,059,714**	64,833,700
Trade and other receivables, prepayments and deposits	*10*	**155,011,721**	159,113,114
Contract assets		**35,240,798**	19,008,737
Loans receivable		**29,599,832**	44,575,290
Amounts due from related companies		**–**	1,303,402
Tax recoverable		**1,054,007**	–
Short-term bank deposits		**25,394,158**	23,493,383
Cash and cash equivalents		**203,465,951**	208,721,286
		633,122,795	587,981,537

	NOTE	**2020** HK$	2019 HK$
Current liabilities			
Trade and other payables and accruals	*11*	**123,508,626**	100,146,752
Lease liabilities		**8,949,086**	6,452,993
Contract liabilities		**10,464,703**	4,635,602
Tax liabilities		**3,558,434**	9,457,374
Amount due to a non-controlling shareholder of a subsidiary		**16,810,490**	16,716,817
Amount due to a related company		**48,402**	165,848
Bank borrowings		**79,786,671**	92,168,478
		243,126,412	229,743,864
Net current assets		**389,996,383**	358,237,673
Total assets less current liabilities		**883,595,998**	942,757,381
Non-current liabilities			
Lease liabilities		**44,400,592**	48,178,621
Amount due to a related company		**223,361**	269,169
Deferred tax liabilities		**9,044,502**	8,091,205
		53,668,455	56,538,995
Net assets		**829,927,543**	886,218,386
Capital and reserves			
Share capital		**2,536,395**	2,536,395
Reserves		**830,665,444**	886,905,710
Total attributable to owners of the Company		**833,201,839**	889,442,105
Non-controlling interests		**(3,274,296)**	(3,223,719)
Total equity		**829,927,543**	886,218,386

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to owners of the Company											
	Share capital *HK$*	**Share premium** *HK$*	**Deemed contribution from a shareholder** *HK$*	**Capital redemption reserve** *HK$*	**Contributed surplus** *HK$*	**Properties valuation reserve** *HK$*	**Investment revaluation reserve** *HK$*	**Translation reserve** *HK$*	**Retained profits** *HK$*	**Sub-total** *HK$*	**Non-controlling interests** *HK$*	**Total** *HK$*
At 1 January 2019	2,536,395	368,949,127	188,956,957	62,400	103,571,033	63,252,165	(25,769,757)	8,060,214	220,413,818	930,032,352	(2,750,431)	927,281,921
Loss for the year	–	–	–	–	–	–	–	–	(30,782,482)	(30,782,482)	(190,798)	(30,973,280)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	(8,846,877)	–	(8,846,877)	(282,490)	(9,129,367)
Transfer of translation reserve to profit or loss upon disposal of a subsidiary	–	–	–	–	–	–	–	(960,888)	–	(960,888)	–	(960,888)
Other comprehensive expense for the year	–	–	–	–	–	–	–	(9,807,765)	–	(9,807,765)	(282,490)	(10,090,255)
Total comprehensive expense for the year	–	–	–	–	–	–	–	(9,807,765)	(30,782,482)	(40,590,247)	(473,288)	(41,063,535)
Transfer of cumulative gain on an equity instrument at FVTOCI to retained profits upon disposal of a subsidiary	–	–	–	–	–	–	(68,238)	–	68,238	–	–	–
At 31 December 2019	2,536,395	368,949,127	188,956,957	62,400	103,571,033	63,252,165	(25,837,995)	(1,747,551)	189,699,574	889,442,105	(3,223,719)	886,218,386
Loss for the year	–	–	–	–	–	–	–	–	(87,187,111)	(87,187,111)	(129,944)	(87,317,055)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	28,431,164	–	28,431,164	79,367	28,510,531
Fair value gain on equity instruments at FVTOCI	–	–	–	–	–	–	2,515,681	–	–	2,515,681	–	2,515,681
Other comprehensive income for the year	–	–	–	–	–	–	2,515,681	28,431,164	–	30,946,845	79,367	31,026,212
Total comprehensive income (expense) for the year	–	–	–	–	–	–	2,515,681	28,431,164	(87,187,111)	(56,240,266)	(50,577)	(56,290,843)
Disposal of investment in equity instruments at FVTOCI	–	–	–	–	–	–	336,382	–	(336,382)	–	–	–
At 31 December 2020	2,536,395	368,949,127	188,956,957	62,400	103,571,033	63,252,165	(22,985,932)	26,683,613	102,176,081	833,201,839	(3,274,296)	829,927,543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

Neway Group Holdings Limited (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")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the "*Amendments to References to the Conceptual Framework in HKFRS Standards*" and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020[2]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after 1 January 2022.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 June 2020.
[5] Effective for annual periods beginning on or after 1 January 2021.

Except the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 3 "Reference to the Conceptual Framework"

The amendments:

- update a reference in HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC)-Int 21 Levies, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2"

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2 relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 "Financial Instruments: Disclosures" to accompany the amendments regarding modifications and hedge accounting.

- Modification of financial assets, financial liabilities and lease liabilities. A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;

- Hedge accounting requirements. Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

- Disclosures. The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at 31 December 2020, the Group has several Hong Kong Interbank Offered Rate ("HIBOR") bank loans which may be subject to interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.

3. REVENUE

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.

4. SEGMENT INFORMATION

Segment revenue and results

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resources 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 ("Lending Business");

(b) Manufacturing and sales of printing and other products ("Manufacturing and Sales Business");

(c) Artistes management, production and distribution of music albums ("Music and Entertainment Business");

(d) Property development and investment ("Property Business"), including properties development projects and properties leasing and investments in the PRC, mini storage business and office leasing and properties leasing and investment in Hong Kong;

(e) Securities trading ("Securities Trading Business"); and

(f) Trading of printing products ("Trading Business").

An operating segment regarding the distribution of gaming machines ("Gaming Distribution Business") was discontinued in the year ended 31 December 2019. The segment information reported does not include any amounts for the discontinued operation, which are described in more details in note 7.

The following is an analysis of the Group's revenue and results from continuing operations by operating and reportable segment.

	Revenue		Segment (loss) profit	
	2020	2019	**2020**	2019
	HK$	*HK$*	***HK$***	*HK$*
Lending Business	**6,756,759**	8,491,405	**(26,850,426)**	3,677,784
Manufacturing and Sales Business	**486,079,273**	490,000,611	**10,187,944**	14,474,423
Music and Entertainment Business	**4,071,062**	11,881,910	**(8,527,786)**	(7,165,748)
Property Business	**4,880,323**	7,310,989	**(14,416,509)**	(9,051,586)
Securities Trading Business	**–**	–	**(32,845,363)**	(14,924,641)
Trading Business	**30,887,078**	42,900,332	**1,670,886**	6,621,250
Total	**532,674,495**	560,585,247	**(70,781,254)**	(6,368,518)
Bank interest income			**1,153,875**	1,266,643
Impairment losses on loan to a joint venture			**–**	(3,222,914)
Unallocated corporate expenses			**(18,796,063)**	(13,042,575)
Share of results of joint ventures			**(4,000)**	(9,268)
Certain finance costs			**(11,107)**	–
Loss before taxation from continuing operations			**(88,438,549)**	(21,376,632)

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 (loss) profit represents the profit earned/loss incurred by each segment without allocation of bank interest income, impairment losses on loan to a joint venture, unallocated corporate expenses, share of results of joint ventures, certain finance costs on lease liabilities and taxation. This is the measure reported to the Group's management for the purpose of resources allocation and performance assessment.

Segment assets and liabilities

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

As at 31 December 2020

	Lending Business	Manufacturing and Sales Business	Music and Entertainment Business	Property Business	Securities Trading Business	Trading Business	Segment total	Elimination	Consolidated
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Segment assets	**31,662,289**	**433,255,115**	**6,173,708**	**351,130,780**	**33,377,017**	**14,564,818**	**870,163,727**	**–**	**870,163,727**
Other assets									**256,558,683**
Consolidated assets									**1,126,722,410**
Segment liabilities	**2,079,629**	**224,056,802**	**2,184,487**	**38,801,917**	**187,554**	**11,984,440**	**279,294,829**	**–**	**279,294,829**
Inter-group liabilities	**76,770,136**	**–**	**–**	**–**	**97,751,111**	**–**	**174,521,247**	**(174,521,247)**	**–**
Total	**78,849,765**	**224,056,802**	**2,184,487**	**38,801,917**	**97,938,665**	**11,984,440**	**453,816,076**	**(174,521,247)**	**279,294,829**
Other liabilities									**17,500,038**
Consolidated liabilities									**296,794,867**

As at 31 December 2019

	Lending Business	Manufacturing and Sales Business	Music and Entertainment Business	Property Business	Securities Trading Business	Trading Business	Segment total	Elimination	Consolidated
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Segment assets	68,241,931	424,396,848	12,770,723	274,896,424	65,348,117	14,313,104	859,967,147	–	859,967,147
Other assets									312,534,098
Consolidated assets									1,172,501,245
Segment liabilities	1,338,495	210,650,931	4,557,481	39,973,577	119,465	9,188,340	265,828,289	–	265,828,289
Inter-group liabilities	96,555,847	–	–	–	94,490,774	–	191,046,621	(191,046,621)	–
Total	97,894,342	210,650,931	4,557,481	39,973,577	94,610,239	9,188,340	456,874,910	(191,046,621)	265,828,289
Other liabilities									20,454,570
Consolidated liabilities									286,282,859

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

- all assets are allocated to operating and reportable segments other than certain property and equipment, interest in a joint venture, certain equity instruments at FVTOCI, club membership, deferred tax assets, 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, tax liabilities and deferred tax liabilities.

Revenue from major products and services

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

	2020	2019
	HK$	*HK$*
Sales of printing and other products	**516,966,351**	532,900,943
Artistes management fee income	**57,917**	862,133
Concerts and show income	**–**	3,236,150
Income from the licensing of the musical works	**3,029,834**	3,100,522
Loan interest income from Lending Business	**6,756,759**	8,491,405
Other music and entertainment services	**–**	124,540
Promotion income	**153,333**	750,367
Rental income	**4,880,323**	7,310,989
Sales of albums	**829,978**	3,808,198
	532,674,495	560,585,247

Geographical information

The Group's operations of Manufacturing and Sales Business and Property Business are located in Hong Kong and the PRC. The Group's operations of Lending Business, Trading Business, Music and Entertainment Business and Securities Trading Business are located in Hong Kong.

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

	Revenue from external customers		**Non-current assets**	
	2020	2019	**2020**	2019
	HK$	*HK$*	***HK$***	*HK$*
Hong Kong	**227,654,406**	211,157,605	**213,140,186**	226,655,112
The PRC	**200,393,633**	242,748,490	**260,559,576**	315,565,055
Europe	**27,607,233**	38,338,407	**–**	–
United States	**50,065,286**	41,805,786	**–**	–
Others	**26,953,937**	26,534,959	**–**	–
	532,674,495	560,585,247	**473,699,762**	542,220,167

Note: Non-current assets exclude financial assets and deferred tax assets.

Information about major customers

There was no customer contributing over 10% of total sales of the Group for the years ended 31 December 2020 and 2019.

5. TAXATION CREDIT (CHARGE)

	2020	2019
	HK$	*HK$*
Continuing operations:		
The taxation comprises:		
Hong Kong Profits Tax		
Charge for the year	**(1,596,104)**	(2,285,026)
Overprovision in prior years	**401,092**	122,914
	(1,195,012)	(2,162,112)
PRC Enterprise Income Tax		
Charge for the year	**–**	(6,296,056)
Overprovision in prior years	**2,807,805**	–
	2,807,805	(6,296,056)
	1,612,793	(8,458,168)
Deferred tax charge (credit) for the year	**(491,299)**	2,478,941
	1,121,494	(5,979,227)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For the years ended 31 December 2020 and 2019, Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits of one of the subsidiaries of the Company and at 16.5% on the estimated assessable profits above HK$2 million. The profits of corporation not qualified for the two-tier profit tax regime will continue to be taxed at a flat rate of 16.5%.

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% for both years.

6. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2020	2019
	HK$	*HK$*
Loss for the year from continuing operations has been arrived at after charging (crediting):		
Auditor's remuneration	**2,100,000**	2,100,000
Cost of inventories recognised as an expense (including allowance for provision of write-down of inventories of HK$1,570,414 (2019: HK$791,079))	**226,205,655**	210,084,515
Depreciation of right-of-use assets	**8,758,023**	9,687,255
Depreciation of other property, plant and equipment	**28,389,168**	20,464,052
Depreciation of property, plant and equipment	**37,147,191**	30,151,307
Less: included in cost of sales and services	**(21,449,420)**	(18,795,412)
	15,697,771	11,355,895
Staff costs including directors' emoluments		
– Salaries, wages and other benefits	**155,240,175**	162,350,679
– Contributions to retirement benefits schemes	**2,135,822**	9,131,076
Less: included in cost of sales and services	**(92,564,118)**	(97,328,520)
	64,811,879	74,153,235
Legal and professional fees	**11,424,078**	7,038,181
Gross rental income from investment properties	**(4,880,323)**	(7,310,989)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	**291,480**	286,707
	(4,588,843)	(7,024,282)
The following items are included in impairment losses under expected credit loss model, on financial assets and contract assets, net of reversal:		
– Net impairment losses on trade receivables	**710,090**	229,681
– Net impairment losses on contract assets	**855,504**	68,705
– Impairment losses on loans receivable	**30,554,241**	1,348,580
– Impairment losses on loan to a joint venture	**–**	3,222,914
– Impairment losses on amounts due from related companies	**1,236,756**	–
The following items are included in other interest income:		
– Bank interest income	**(1,153,875)**	(1,266,643)
– Interest income on rental deposits	**(83,341)**	(76,633)
The following items are included in other income:		
– Dividend income	**(528,550)**	(1,087,856)
– Government grants *(Note)*	**(10,552,678)**	(4,433,645)
– Others	**(1,537,349)**	(195,724)

Note:

For the year ended 31 December 2020, government grants represented the Employment Support Scheme launched by the Hong Kong government of HK$4,518,785, one-off government grants in the PRC of HK$3,036,252 related to grants under Covid-19 pandemic. The remaining HK$2,997,641 (2019: HK$4,433,645) represented the government grants that are receivable as a compensation for expenses incurred during the year ended 31 December 2020.

7. DISCONTINUED OPERATION

Taking into consideration the adverse impact of the Gaming Distribution Business on the Group's overall financial performance and other factors, the directors of the Company determined to terminate this business in June 2019 and thus the operation of the Gaming Distribution Business had been discontinued.

The results of the Gaming Distribution Business for the year ended 31 December 2019, which have been included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019, were as follows:

	2019 *HK$*
Other income	944
Administrative expenses	(3,618,365)
Loss before taxation from discontinued operation	(3,617,421)
Taxation	–
Loss for the year from discontinued operation	(3,617,421)

Loss for the year from discontinued operation has been arrived at after charging:

	2019 *HK$*
Depreciation of property and equipment	512,387
Staff costs:	
– Salaries, wages and other benefits	1,471,142
– Contributions to retirement benefits schemes	83,086
Total staff cost	1,554,228

8. DIVIDENDS

No dividend was paid or proposed for the years ended 31 December 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

9. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

Loss figures are calculated as follows:

	2020	2019
	HK$	*HK$*
Loss for the year attributable to owners of the Company	**(87,187,111)**	(30,782,482)
Less: loss for the year from discontinued operation	**N/A**	3,617,421
Loss for the purpose of calculating basic loss per share	**(87,187,111)**	(27,165,061)

	2020	2019
Number of ordinary shares in issue for the purpose of calculating basic loss per share	**253,639,456**	253,639,456

No separate diluted loss per share information has been presented as there were no potential ordinary shares outstanding issue for both years.

The calculation of the basic loss per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

	2020	2019
	HK$	*HK$*
Loss for the year attributable to owners of the Company for the purpose of calculating basic loss per share	**(87,187,111)**	(30,782,482)

The denominators used are the same as those detailed above for both basic loss per share.

From discontinued operation

Basic loss per share for the discontinued operations is HK1.43 cents for the year ended 31 December 2019, based on the loss for the year from the discontinued operation of HK$3,617,421 and the denominators detailed above for both basic loss per share.

10. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2020	2019
	HK$	*HK$*
Trade receivables	**113,341,530**	137,764,692
Less: allowance for credit losses	**(3,093,921)**	(2,295,719)
	110,247,609	135,468,973
Receivables with brokers' houses	**10,191,214**	457,856
Deposits and other receivables	**22,312,508**	13,820,892
Other tax recoverable	**4,296,372**	3,446,943
Prepayments	**11,860,199**	10,638,460
	158,907,902	163,833,124

Analysed for reporting purposes as:

Current assets	**155,011,721**	159,113,114
Non-current assets	**3,896,181**	4,720,010
	158,907,902	163,833,124

As at 1 January 2019, trade receivables from contracts with customers amounted to HK$147,056,546.

The Group's credit terms on Manufacturing and Sales Business and Trading Business generally range from 60 to 90 days. Credit period of 120 days is granted to a few customers of the Manufacturing and Sales Business with whom the Group has a good business relationship and who are in sound financial condition. The Group allows an average credit period of 60 to 90 days to its customers of Music and Entertainment Business. The following is an ageing analysis of the trade receivables net of allowance for credit losses presented based on the invoice date at the end of the reporting period.

	2020	2019
	HK$	*HK$*
Manufacturing and Sales Business and Trading Business:		
0 – 30 days	**58,405,247**	72,774,483
31 – 60 days	**33,881,466**	32,715,228
61 – 90 days	**11,183,977**	20,317,316
Over 90 days	**5,569,541**	8,376,318
	109,040,231	134,183,345
Music and Entertainment Business:		
0 – 30 days	**778,509**	821,801
31 – 60 days	**129,147**	77,990
61 – 90 days	**89,722**	266,194
Over 90 days	**210,000**	119,643
	1,207,378	1,285,628
Total trade receivables	**110,247,609**	135,468,973

11. TRADE AND OTHER PAYABLES AND ACCRUALS

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2020	2019
	HK$	*HK$*
0 – 30 days	**46,307,321**	50,325,121
31 – 60 days	**17,421,917**	6,965,381
61 – 90 days	**11,043,614**	3,063,315
Over 90 days	**9,680,938**	3,352,350
	84,453,790	63,706,167
Accrued expenses and other payables	**39,054,836**	36,440,585
	123,508,626	100,146,752

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the year ended 31 December 2020 (the "Year"), Neway Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") were significantly and adversely affected by the outbreak of the coronavirus disease 2019 ("COVID-19") pandemic which seriously affected the global economy to different extents. Restrictions on cross-border travel, lockdown of countries and cities, and implementation of stay-at-home policies changed the consumption behavior of people all over the world rapidly. The slack economic environment and the increasing unemployment rate further undermined the desire of consumption of all people. The turnover and segment results of all business segments of the Group were therefore inevitably affected. Meanwhile, the Group stepped up its effort on the development of the industrial park project in Qingyuan City, the PRC.

The business and financial review of each business segment is detailed below.

BUSINESS AND FINANCIAL REVIEW

Total Revenue from Continuing Operations and Gross Profit Margin

During the Year, total revenue from continuing operations of the Group was approximately HK$532.7 million (Year 2019: approximately HK$560.6 million) and the gross profit margin was approximately 25.0% (Year 2019: 27.1%). The contribution of each business segment to the revenue from continuing operations of the Group is as follows:

	2020	**Approximate % to total revenue**	2019	Approximate % to total revenue
	HK$		*HK$*	
Lending Business	**6,756,759**	**1.3%**	8,491,405	1.5%
Manufacturing and Sales Business	**486,079,273**	**91.2%**	490,000,611	87.4%
Music and Entertainment Business	**4,071,062**	**0.8%**	11,881,910	2.1%
Property Business	**4,880,323**	**0.9%**	7,310,989	1.3%
Trading Business	**30,887,078**	**5.8%**	42,900,332	7.7%
Total revenue	**532,674,495**	**100.0%**	560,585,247	100.0%

Lending Business

The Lending Business included the financial leasing business in Shanghai, the PRC and the money lending business in Hong Kong. For the financial leasing business in Shanghai, no transaction was made during the Year, and the Group is still identifying deals with promising potential.

For the money lending business in Hong Kong, the outbreak of COVID-19 worsened the economic environment in the territory which in turn adversely affected the number and amount of new loans granted by the Group. Though the Group was able to receive the majority of interest income as scheduled, its loan portfolio decreased to approximately HK$29.6 million as at 31 December 2020 (31 December 2019: HK$67.6 million). During the Year, the interest income from loans decreased by approximately 20.4% to approximately HK$6.8 million (Year 2019: HK$8.5 million), mainly due to the decrease in loan portfolio during the Year. The segment loss of the Lending Business was HK$26.9 million (Year 2019: segment profit of HK$3.7 million), which was mainly due to the impairment loss of approximately HK$30.6 million (Year 2019: HK$1.3 million) recorded during the Year.

The impairment loss of approximately HK$30.6 million was made for two outstanding loans of which the repayment of principal and interest incurred therefrom was in default. Both loans were secured by personal guarantee and/or share charges of a company incorporated in Hong Kong principally engaged in property development business in the PRC. During the Year, the financial situation of the borrowers of the aforementioned loans was impaired due to the outbreak of COVID-19, making them unable to repay the principal and interests incurred therefrom as scheduled. The Group issued letters of demand to these borrowers and actively negotiated with them to reach a practical solution. The Group may consider executing the share charge or taking further legal action if appropriate. As at the date of this announcement, no settlement agreement was reached, and the Group will continue the negotiations. Excluding the impairment loss mentioned above, the segment margin was 55% for the Year (Year 2019: 59%). As the majority of loans receivable were financed by internal resources and only limited manpower was required for the daily operation of the Lending Business, the Group could maintain low operating costs and achieve a high profit margin accordingly.

Manufacturing and Sales Business

This segment represented: i) the business of manufacturing and sales of printing products, such as packaging boxes, labels, paper products and paper shopping bags, with a worldwide customer base; and ii) the manufacturing and sales of surgical masks, with a Hong Kong customer base. The segment revenue decreased by approximately 0.8% to HK$486.1 million (2019: approximately HK$490.0 million) and the segment profit decreased by 29.6% to approximately HK$10.2 million (2019: approximately HK$14.5 million). The operations and financial performance of each business are detailed below.

i) Manufacturing and sales of printing products

During the Year, the Manufacturing and Sales Business experienced an extremely difficult and challenging environment. The outbreak of COVID-19 slowed down global economic activities and undermined the desire of consumption which directly affected the demand for printing products of the Group. To cope with the severe economic condition, the Group: (i) exercised extra caution in the evaluation of capital investment in renovating factories and acquiring machineries; (ii) allocated resources to the automation of manufacturing functions so as to lessen the required manpower; (iii) worked more closely with overseas and domestic customers to get market updates and customer feedback to enhance product quality and provide more value-added services to valuable customers; (iv) continued to refine its product mix and allocated more effort to expand the sales networks of products with higher profit margins; and (v) carefully reserved and planned resources to meet the anticipated surge in demand for printing products after the pandemic has been controlled.

Boasting the above measures, the segment revenue of this business decreased by approximately 2.1% to HK$479.8 million for the Year (Year 2019: approximately HK$490.0 million), mainly attributable to the decrease in orders of plastic printing products and paper shopping bags, which was partially offset by the increase in sales of paper products to existing overseas clients.

The segment profit of this business for the Year decreased by approximately 9.1% to approximately HK$13.2 million (Year 2019: approximately HK$14.5 million), mainly attributable to the following factors:

(i) Given the adjusted product mix, the material consumption ratio increased by approximately 4.7% as compared with Year 2019. Due to the slow economic environment, the selling price of products decreased, thus pushing up the material consumption ratio as the material price did not decrease by the same extent.

(ii) The ratio of total staff costs and other related expenses to sales for the Year decreased by approximately 2.0% as compared with Year 2019. The decrease in staff cost was mainly due to:(i) the waiver of social insurance payment by the PRC government of approximately HK$6.6 million; and (ii) the decrease in headcount of staff due to the automation of certain manufacturing procedures and the increased efficiency of new printing machines.

(iii) Rental and related expenses increased by approximately HK$1.7 million, mainly due to increased rental expenses and forfeiture of rental deposit for a leased factory in Dongguan, the PRC. As disclosed in the Group's annual report for the year ended 31 December 2019 ("2019 Annual Report"), the Group terminated the rental agreement with the landlord and reallocated the production lines to its self-owned factory in Shenzhen, the PRC.

(iv) The negative impact of decrease in segment revenue and segment profit margin of this business was partially offset by the increase in government subsidies received in Hong Kong and the PRC. During the Year, one-off government subsidies for COVID-19 and the trade war between the U.S. and the PRC totalling approximately HK$7.6 million were received and recorded under other income in the financial statement.

ii) Manufacturing and sales of surgical masks

During the Year, the Group started a new business, namely the manufacturing and sales of surgical masks. Two production lines were established and half a floor within the Fanling Building (as defined below) was renovated as a clean room for the business. The revenue of this business was approximately HK$6.3 million whereas the loss was approximately HK$3.0 million.

Music and Entertainment Business

Revenue from this segment mainly consisted of income from concerts and shows, artist management fee income, album distribution income, promotion income and musical work licensing income.

The revenue of this segment decreased significantly by approximately 65.7% to HK$4.1 million (Year 2019: approximately HK$11.9 million) and the segment loss for the Year was approximately HK$8.5 million (Year 2019: approximately HK$7.2 million).

The decrease in revenue was mainly attributable to the following factors:

(i) No revenue from concerts and shows was received during the Year (Year 2019: approximately HK$3.2 million). Due to the outbreak of COVID-19, nearly all shows and concerts in Hong Kong were cancelled or suspended to avoid the gathering of people.

(ii) The artiste management income decreased by approximately 94.1% to HK$58,000 (Year 2019: approximately HK$987,000) because many functions and events were cancelled due to the outbreak of COVID-19.

(iii) The sales and distribution of albums decreased by approximately 78.2% to HK$830,000 (Year 2019: approximately HK$3.8 million) because the slow economic environment undermined the desire of consumption, especially for non-essential products.

During the Year, the Group recognized an impairment loss on the prepayment of a distribution project of approximately HK$684,000, which was recorded under cost of sales and services in the financial statement.

Property Business

Property development business

The Group had two property development projects as at 31 December 2020 (31 December 2019: two). For the year ended 31 December 2020, one project involved 清遠市中清房地產開發有限公司 (unofficial English name: Qingyuan Zhongqing Property Development Co., Ltd.) ("Zhongqing"), a non-wholly owned subsidiary of the Company and the other involved 中大印刷(清遠)有限公司 (unofficial English name: Zhongda Printing (Qingyuan) Company Limited) ("Zhongda Qingyuan"), a wholly-owned subsidiary of the Company.

For the year ended 31 December 2019, one project involved Zhongqing and the other involved 四川英華房地產有限公司 (unofficial English translation: Sichuan Yinghua Real Estate Co. Ltd.) ("Yinghua") which was disposed of to another shareholder of Yinghua in 2019. Further information of Yinghua was disclosed in the 2019 Annual Report.

Zhongqing held the land use right of two commercial land parcels in Qingyuan, the PRC. On 18 June 2014, 深圳市中星國盛投資發展有限公司 (unofficial English name: Shenzhen Zhongxing Guosheng Investment Development Co., Ltd.) ("Zhongxing Guosheng"), a wholly-owned subsidiary of the Company, initiated civil proceedings against Zhongqing in the People's Court of Baoan District (the "Court") for, among other matters, the repayment of the shareholder's loan contributed by Zhongxing Guosheng in an amount of RMB23,479,330 (the "Litigation"). On 19 June 2014, pursuant to an application made by Zhongxing Guosheng for freezing and preserving the assets of Zhongqing with a total value of RMB23,400,000, an order was granted by the Court to freeze and preserve the two land parcels owned by Zhongqing from 24 June 2014 to 23 June 2016 (the "Freeze Order"), aiming to ensure that Zhongqing would have sufficient assets 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 dated 30 September 2014 (the "Document") from the Court, acknowledging that: (i) the Group and Zhongqing confirmed that Zhongqing was indebted to Zhongxing Guosheng in a sum of RMB23,479,330; (ii) Zhongqing agreed to repay to Zhongxing Guosheng 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 Document; and (iii) where Zhongqing failed to repay the agreed amount, Zhongxing Guosheng was entitled to request Zhongqing 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 legal advisers in the PRC, the effective date of the Document was 15 October 2014 and thus, the deadline for repayment by Zhongqing was 30 October 2014. As at 30 October 2014, Zhongqing did not repay the outstanding shareholder's loan and accrued interests to Zhongxing Guosheng.

On 27 May 2016, Zhongxing Guosheng submitted an application to the Court for the extension of the period covered by the Freeze Order and the application was accepted. The extended period covered by the Freeze Order started on 13 June 2016 and ended on 12 June 2019. In May 2019, Zhongxing Guosheng submitted an application to the Court again for the further extension of the period covered by the Freeze Order and the application was accepted accordingly. The further extended period covered by the Freeze Order started on 13 May 2019, and will end on 12 May 2022.

During the Year, no further action was taken by the Group. The Group will closely monitor the property market and the development plan of Qingyuan and will take further action if necessary. Currently, the Group is still seeking the opportunity to dispose of the land parcels.

The Group, through Zhongda Qingyuan, owned a land parcel in Qingyuan, the PRC, with a total area of approximately 208,000 square metres ("sqm") and planned to construct a biomedical industrial park with an array of industrial buildings, commercial buildings, apartments and dormitories. The buildings thereon were intended for lease or sale to research institutions and relevant enterprises in the biomedical industry. The plan was approved by the Guangdong Qingyuan High-tech Industrial Development Zone Management Office in March 2020 and was highly supported by the Qingyuan government.

Construction work of the first industrial building commenced in July 2020 and its gross floor area was approximately 22,000 sqm, representing around 5% of the planned gross floor area of the land parcel. As at 31 December 2020, approximately 10.5% of construction work was completed according to the supervision report prepared by the independent construction supervision company engaged by Zhongda Qingyuan. Construction work of the first industrial building is expected to be completed by the end of April 2021. The corresponding sales and marketing activities commenced before the Chinese New Year of 2021, and the Group is taking an active role in negotiating the terms with certain potential buyers and tenants.

Property investment business

During the Year, the property investment business included: (i) the mini storage business operated by a wholly-owned subsidiary of the Company; and (ii) the leasing of several commercial units in Hong Kong and the PRC.

Mini storage business

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, Hong Kong (the "Fanling Building") are used for the operation of the mini storage business. As at 31 December 2020, the occupancy rate of the storage units further decreased to approximately 57% (Year 2019: approximately 61%) due to the worsened economic environment of Hong Kong. Approximately 36.9% of revenue of the Property Business was derived from the mini-storage business.

Since Year 2018, in order to meet the safety requirements stipulated by relevant government authorities, the ground floor and 1st floor of the Fanling Building were renovated. As at 31 December 2020, the renovation was complete and pending a final inspection by the relevant government authorities, which was expected to be further delayed due to COVID-19.

Property leasing and investment

The property leasing business involved two properties. The first one was a commercial property in Yuen Long, Hong Kong (the "Yuen Long Property"). It was leased to an independent third party as at 31 December 2020. During the Year, due to the adverse economic impact arising from the outbreak of COVID-19, the Group provided the tenant with a rental concession totalling at HK$1,295,000. Approximately 53.1% of revenue of the Property Business was derived from the Yuen Long Property.

The second one was a commercial property in Beijing, the PRC (the "Beijing Property"). During the Year, the Beijing Property was leased to an independent third party and the annual rental income was approximately HK$490,000.

According to the Group's accounting standard, the Fanling Building, the Yuen Long Property and the Beijing Property were classified as investment properties of the Group and were carried at market value. A fair value loss of approximately HK$9.9 million was recorded in "other gains and losses" of the Group during the Year (Year 2019: fair value loss of HK$18.0 million). The fair value loss was mainly due to the decrease in market value of the Yuen Long Property, which was caused by the drop in rental value of surrounding areas.

Trading Business

Revenue from the Trading Business decreased significantly to approximately HK$30.9 million (Year 2019: approximately HK$42.9 million) while the segment profit margin dropped to approximately 5.4% (Year 2019: 15.4%), mainly attributable to: (i) the suspension of large-scale construction and renovation work in Hong Kong, which was one of the primary income sources of this business.; and (ii) the increase in operation cost of a trading company in the PRC resulting from the Group's expansion of its sales and operation teams in the PRC.

Securities Trading and Equity Investments Business

The Group's equity instruments at fair value through other comprehensive income ("FVTOCI") and financial assets at fair value through profit and loss ("FVTPL") as at 31 December 2020 amounted to approximately HK$40.9 million (31 December 2019: approximately HK$82.7 million). During the Year, the Group recorded a fair value loss in investments of securities listed in Hong Kong of approximately HK$32.5 million (Year 2019: approximately HK$15.2 million), a realized loss of approximately HK$5.7 million (Year 2019: approximately HK$537,000) and a dividend income of approximately HK$529,000 (Year 2019: approximately HK$1.1 million).

The Group's investments as at 31 December 2020 included securities of 9 listed companies on the Main Board or GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and investment in an offshore investment fund and a Hong Kong private company. The carrying amount of each of the Group's investments accounted for less than 5% of the Group's audited total assets as at 31 December 2020. The largest investment was the investment in an offshore investment fund named Zhong Wei Capital L.P. ("Zhong Wei"), which represented 1.33% of the total share capital of Zhong Wei. Its fair value as at 31 December 2020 amounted to approximately HK$17.5 million, representing approximately 1.5% of the Group's audited total assets as at 31 December 2020.

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 investments after acquisition as well as revise the investment strategy in a cautious manner as and when necessary to minimize the impact of market volatility.

OTHER GAINS AND LOSSES

Other gains and losses for the Year mainly comprised the following items:

	2020	2019
	HK$	*HK$*
Change in fair value of financial assets at FVTPL *(Note d)*	**(32,529,639)**	(21,840,204)
Change in fair value of investment properties *(Note b)*	**(9,917,231)**	(17,966,974)
Gain (loss) recognized in respect of loans to joint ventures *(Note c)*	**–**	1,775,100
Gain on disposal of a subsidiary *(Note a)*	**–**	11,807,968
Net foreign exchange (loss) gain	**(8,151,710)**	980,712
Net gain on disposal of property, plant and equipment	**322,912**	619,578
Total	**(50,275,668)**	(24,623,820)

Notes:

(a) On 28 March 2019, Dream Class Limited ("Dream Class") and Grand Prospects Finance International Limited, wholly-owned subsidiaries of the Company, Kwong Da Enterprises Limited, Kada Capital Investments Limited and the common director of Kwong Da and Kada entered into a confirmation deed for the settlement and completion arrangement for the disposal of Star Rank Limited ("Star Rank"), a wholly-owned subsidiary of Dream Class which held 16.67% equity interest of Yinghua, to Kwong Da. Grand Prospects signed a loan agreement with Kada which held 83.33% equity interest of Yinghua to provide a 2-year loan to Kada at an amount equal to the outstanding consideration of RMB21,693,205, bearing interest calculated at 10.5% per annum. Upon signing of the loan agreement, the disposal of Star Rank was completed on 23 December 2019 and Dream Class ceased control on Star Rank since then.

(b) The fair value loss of investment properties was mainly related to the Yuen Long Property. For the reason of such loss, please refer to the business and financial review of the Property Business stated above.

(c) For the Year 2019, the Group recognized a gain in respect of its loan to Estate Summit Limited, a joint venture of the Group.

(d) The change in fair value of financial assets at FVTPL consisted of the fair value loss of securities traded in the Stock Exchange of approximately HK$32.5 million (Year 2019: HK$15.2 million) and the fair value loss of financial derivative derived from Yinghua of approximately HK$6.7million for Year 2019.

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 2020 and 31 December 2019:

	Notes	**As at 31 December 2020** %	As at 31 December 2019 %
Current ratio	*(a)*	**2.6**	2.6
Quick ratio	*(b)*	**1.9**	2.3
Gearing ratio	*(c)*	**18.1**	18.5

Notes:

(a) Current ratio is calculated by dividing total current assets by total current liabilities as at the end of respective year.

(b) Quick ratio is calculated by dividing total current assets less inventories and properties under development for sale by total current liabilities as at the end of respective year.

(c) Gearing ratio is calculated by dividing total borrowings by total equity as at the end of respective year and then multiplying it by 100%. Total borrowings include: (i) the amount due to a related company, (ii) bank borrowings, (iii) the amount due to a non-controlling shareholder of a subsidiary; and (iv) lease liabilities.

As at 31 December 2020, the Group had short-term bank deposits and cash and cash equivalents of approximately HK$228.9 million (31 December 2019: approximately HK$232.2 million) and total borrowings of approximately HK$150.2 million (31 December 2019: approximately HK$164.0 million).

Total borrowings included: (i) the amount due to a related company; (ii) bank borrowings; (iii) the amount due to a non-controlling shareholder of a subsidiary; and (iv) lease liabilities. The amount due to a related company was unsecured, payable after five years and carried interests at fixed-interest rates ranging from 18%-20% per annum. Secured bank borrowings were payable within two years and carried interest at the Hong Kong Inter-bank Offered Rate plus 1.25% to 2.5% per annum. The amount due to a non-controlling shareholder of a subsidiary was unsecured, interest-free and repayable on demand. Lease liabilities carried incremental borrowing rates ranging from 4.4% to 5.4% per annum.

All borrowings were denominated in Hong Kong dollars and RMB and the majority of cash and cash equivalents was denominated in RMB, Hong Kong dollars and U.S. dollars.

The current ratio and quick ratio indicated an ample cash flow and a stable liquidity position as at 31 December 2020. The gearing ratio of the Group decreased from 18.5% to 18.1% as at 31 December 2020, mainly due to the decrease in total borrowings of the Group. The decrease in total borrowings of the Group was mainly attributable to the repayment of term loans from the bank.

The Group generally finances its operation with cash flows generated internally and bank facilities obtained in Hong Kong and the PRC. Taking into account the amount of funds expected to be 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 a prudent policy in managing cash balances, thereby maintaining a strong and healthy liquidity level to capitalize any potential business opportunity.

FUTURE OUTLOOK

Looking forward to the year ending 31 December 2021 (the "Year 2021"), it is expected that the Group will be challenged by all sorts of adversities as the global market continues to be shadowed by economic and political uncertainties, including the prolonged trade dispute between the U.S. and the PRC, the increasing unemployment rate, the political unrest in Hong Kong and the COVID-19 pandemic that will continue to cast a negative impact on every business sector of the world. Accordingly, the recovery progress of the global economy is unpredictable. In order to cope with these complicated and difficult situations, the Group will carefully revise the strategy for all its business segments, as well as diversify and expand the businesses in a cautious way.

Lending Business

Given the economic uncertainty around the globe and the keen market competition, the Group will take calculated risks when expanding the loan portfolio for the Lending Business. The Group will continue to equip the operational function of the online money lending platform with more fin-tech elements, identify new customers and allocate more financial resources to expand the business scale by enlarging the loan portfolio. Meanwhile, due to the deteriorated economic environment caused by COVID-19, the Group will continue to carefully review its credit system to cope with the rapidly changing market.

Manufacturing and Sales Business and Trading Business

Year 2021 will continue to be an extremely challenging year, especially for the Manufacturing and Sales Business of printing products. The political and economic tensions between the PRC and other countries, such as the United States and Australia, will further intensify the economic uncertainty which may negatively affect the demand for and supply of China-made products and further shift the sales orders from the PRC to other Asian countries. The impact will continue affecting the financial performance of the Group, and is expected to persist in Year 2021. In addition, the effectiveness of viable vaccines for COVID-19 is still uncertain and the possibility of further waves of outbreak in any country may further slow the recovery of the global economy. Furthermore, the rapid and continuous increase in material price since the end of Year 2020 will undermine the profit margin of the business. Accordingly, it will not be easy for the Group to deliver the annual budget target set for Year 2021.

All of the above factors will negatively affect both export and domestic sales of this business segment to varying extents. As a result, the Group will carefully revise its sales strategy in the expansion of these market segments and spare sufficient cash flow to cope with any sudden or prolonged adverse situation beyond its expectation. The Group will also continue to acquire new printing machines and ancillary equipment for the expanded production line to increase the production efficiency and lower the defect rate in production activities in a cautious way. Besides, certain portions of the factories will be renovated and the automation of certain manufacturing processes will be enhanced to boost the overall efficiency of the factories.

Quality management and enhancement and credit control on receivables will continue to be the top priorities of the Manufacturing and Sales Business in Year 2021. The Group will further enhance the total quality management of all levels by setting more task groups for different improvement areas and the Chung Tai Academy platform has been established in Year 2020 to promote the learning atmosphere within the Group. Meanwhile, the Group will continue to spare dedicated resources to expand the luxury packaging and paper product segment which enjoys a higher profit margin. Although the uncertainty of the global economy is expected to persist in Year 2021, the Group will take this opportunity to diversify into the target market sectors with tightened and prudent control on operating costs.

In addition, to cope with the challenges experienced by the printing industry and to maintain the profitability of this segment, the Group will continue to step up its efforts on the following aspects: (i) efficiency and effectiveness enhancement by streamlining the production process of its factories to reduce operation and production wastage; (ii) talent recruitment, provision of value-added services and continuous upgrade of its technology infrastructure; (iii) procurement of alternative materials, verification of their quality and negotiation with vendors for more favourable terms; (iv) market expansion to cover high value products and explore any long term cooperation or joint venture opportunities with other industry players to extend the production capacity of the factories; and (v) allocation of more resources to facilities upgrade and recruitment of skilled labours to meet the varied requirements of clients. All the strategies adopted by the Group will further equip it with strength and core competence to tackle unknown challenges in the coming years.

For the Trading Business, the Group will continue to spare more resources to expand and develop the sales team in Hong Kong and the PRC so as to broaden the clientele and optimize the product mix.

Music and Entertainment Business

The persistence of COVID-19 will continue to post a negative impact on the Music and Entertainment Business in Year 2021. The Group will allocate more financial resources to expand the music licensing business by acquisition or via licensing of existing catalogues from other song master owners. In Year 2019, the Group was contracted to produce a famous overseas talent show by working with independent parties to film the show in the Greater Bay Area of the PRC. Although promotional activities of this TV show have been delayed by COVID-19, the Group, together with the independent parties mentioned above, will resume the production of the show when the pandemic subsides. The contract period has been further extended for 1 year. Meanwhile, the Group will continue to devote financial resources to produce and release physical albums and, if appropriate, invest in potential projects in the PRC and overseas.

Property Business

In respect of the property development business, apart from the possible disposal or development of the commercial land parcels held by Zhongqing in Qingyuan as mentioned in the business and financial review section of the Property Business above, the construction work of the first industrial building in the biomedical industry park held by Zhongda Qingyuan is expected to be completed by the end of April 2021. The Group intends to submit the construction plan of gross floor area of approximately 100,000 sqm to the local government for approval in the second quarter of Year 2021, and the construction work is expected to be commenced by the end of Year 2021. The management of the Group is currently reviewing the design of the industry park and the target 100,000 sqm. Meanwhile, the Group will allocate more financial resources in the sales and marketing of the industry park for the potential buyers and tenants. Meanwhile, the Group is also actively seeking cooperation opportunities with third parties to co-develop or invest in the industrial park as planned.

In respect of the property investment business, the Group completed the renovation of mini-storage spaces on the ground floor and 1st floor of the Fanling Building, and is pending approval from relevant government authorities, which is expected to be further delayed due to COVID-19. The Group will allocate more marketing resources to promote the mini-storage business and facilitate a rebound of the decreased occupancy rate.

Securities Trading Business

The Group expects the fair value of equity securities listed in Hong Kong may keep fluctuating in the foreseeable future due to the volatile global economy. In light of this, the Group will closely monitor the general market and market data related to prospective investees before committing to any securities investment, and will pay attention to the performance of the investments after purchasing as well as make necessary adjustment to the investment strategy in a cautious manner so as to alleviate the impact of extreme market swings.

FOREIGN EXCHANGE RISK

The Group's sales and purchases were mainly denominated in Renminbi, Hong Kong dollars and U.S. dollars. Except for RMB, there was no significant fluctuation in the exchange rate of Hong Kong dollars and U.S. dollars during the Year. The management will closely monitor the foreign exchange rate risk of RMB and identify the significant adverse impact (if any) on the Group's operations in the PRC. The Group did not use any financial instrument for hedging purpose during the Year and it did not have any outstanding hedging instrument as at 31 December 2020. The Group will consider using appropriate hedging solutions when necessary.

CAPITAL EXPENDITURE

During the Year, capital expenditure of the Group for property, plant and equipment and properties under development for sales amounted to approximately HK$48.3 million (Year 2019: approximately HK$66.7 million) and approximately HK$4.6 million (Year 2019: Nil) respectively. The capital expenditure for the Year was mainly attributable to the acquisition of machineries for production in the PRC, the renovation work of a factory in Shenzhen and the construction work conducted on the industrial park in Qingyuan City, the PRC.

CAPITAL COMMITMENTS

As at 31 December 2020, the Group had capital commitments of approximately HK$7.3 million (31 December 2019: approximately HK$20.3 million) which had been contracted for but had not been provided for in the financial statements for the acquisition of property, plant and equipment. The Group did not have any capital commitment for the acquisition of property, plant and equipment that had been authorised but not contracted for in both reporting periods. The Group expects to finance the capital commitments by internal resources.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2020 and 2019.

PLEDGE OF ASSETS

As at 31 December 2020, the Group had pledged leasehold building and investment properties with an aggregate carrying value of approximately HK$205.4 million (31 December 2019: approximately HK$217.0 million) to secure the mortgage loan of certain investment properties and general banking facilities granted to the Group. Save as aforesaid, no other assets were pledged by the Group as at 31 December 2020.

SHARE CAPITAL AND CAPITAL STRUCTURE

There was no change in the share capital and capital structure of the Company during the Year.

HUMAN RESOURCES

As at 31 December 2020, the Group had approximately 1,400 full-time employees (31 December 2019: approximately 1,520). Total staff costs (including Directors' remuneration) for the Year were approximately HK$155.2 million (Year 2019: approximately HK$162.4 million).

The remuneration schemes of the Group are generally structured with reference to market conditions and the qualifications of the employees, and the reward packages, including discretionary bonus, for staff members are generally reviewed on an annual basis according to the performance of the Group and respective staff members. Apart from salary payment and contributions to retirement benefit schemes, other staff benefits include participation in share option scheme and medical insurance for eligible employees. In-house and external training programmes are also provided as and when required.

EVENTS AFTER REPORTING PERIOD

There was no significant event affecting the Group that had occurred since the end of the Year.

DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (Year 2019: nil).

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, save for the deviation disclosed below, 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 Year:

Provisions A.5.1 to A.5.5 of the CG Code

The Board has not established a nomination committee which was in deviation from Provisions A.5.1 to A.5.5 of the CG code. 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 nomination policy of the Company and other requirements under the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as code of conduct regarding Directors' securities transactions. Having made specific enquiry with of 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 by the employees who are likely to be in possession of unpublished inside information of the Group.

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 of the Group the accounting policies, discussed with the Board the auditing, internal control, 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 is 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 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 for the year ended 31 December 2020 will be despatched to the Shareholders and be available on the above websites in April 2021.

APPRECIATION

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

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

Hong Kong, 26 March 2021

As at the date of this announcement, the Board comprises 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; Mr. Lee Kwok Wan, Mr. Lai Sai Wo, Ricky and Mr. Chu Gun Pui being the independent non-executive Directors; and Mr. Lau Kam Cheong being the alternate Director to Dr. Ng Wai Kwan.