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 2021

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 2021 (the "Year"), together with the comparative figures for the year ended 31 December 2020 ("Year 2020") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	HK$	*HK$*
Total revenue	**623,576,722**	532,674,495
Gross proceeds from sale of listed equity instruments	**1,249,500**	27,965,562
	624,826,222	560,640,057

* *For identification purpose only*

	NOTES	2021 HK$	2020 HK$
Revenue	4		
Revenue from goods and services		**617,179,208**	521,037,413
Rental income		**4,477,272**	4,880,323
Interest income from lending business		**1,920,242**	6,756,759
Total revenue		**623,576,722**	532,674,495
Cost of sales and services		**(514,997,428)**	(399,625,483)
Gross profit		**108,579,294**	133,049,012
Other interest income	6	**834,716**	1,237,216
Other income	6	**7,905,461**	12,618,577
Selling and distribution expenses		**(31,713,579)**	(27,077,778)
Administrative expenses		**(132,190,083)**	(119,751,255)
Other gains and losses		**35,225,838**	(50,275,668)
Reversal of impairment losses (impairment loss) under expected credit loss ("ECL") model on financial assets and contract assets, net	6	**3,189,253**	(33,356,591)
Finance costs		**(3,579,410)**	(4,878,062)
Share of results of joint ventures		**(3,750)**	(4,000)
Loss before taxation		**(11,752,260)**	(88,438,549)
Taxation credit	5	**617,663**	1,121,494
Loss for the year	6	**(11,134,597)**	(87,317,055)

	NOTE	**2021**	2020
		HK$	*HK$*
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**13,265,330**	28,510,531
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
		13,265,330	31,026,212
Total comprehensive income (expense) for the year		**2,130,733**	(56,290,843)
Loss for the year attributable to:			
Owners of the Company		**(10,706,159)**	(87,187,111)
Non-controlling interests		**(428,438)**	(129,944)
		(11,134,597)	(87,317,055)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**2,512,214**	(56,240,266)
Non-controlling interests		**(381,481)**	(50,577)
		2,130,733	(56,290,843)
Loss per share	*8*		
Basic *(HK cents)*		**(4.22)**	(34.37)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	NOTES	**2021** **HK$**	2020 *HK$*
Non-current assets			
Property, plant and equipment		**234,914,722**	249,659,901
Investment properties		**259,294,789**	212,020,086
Equity instruments at FVTOCI		**22,550,619**	17,854,928
Club membership		**3,403,700**	3,403,700
Prepayments and deposits	*9*	**4,156,576**	3,896,181
Interests in joint ventures		**396,732**	400,482
Deposit paid for acquisition of property, plant and equipment		**12,677,483**	6,030,978
Deferred tax assets		**10,764,811**	333,359
		548,159,432	493,599,615
Current assets			
Inventories		**20,533,613**	35,537,489
Properties under development for sale		**198,365,480**	124,759,125
Financial assets at fair value through profit or loss ("FVTPL")		**24,716,500**	23,059,714
Trade and other receivables, prepayments and deposits	*9*	**159,596,715**	155,011,721
Contract assets		**46,446,817**	35,240,798
Loans receivable		**9,137,831**	29,599,832
Tax recoverable		**362,668**	1,054,007
Short-term bank deposits		**3,304,774**	25,394,158
Cash and cash equivalents		**145,679,792**	203,465,951
		608,144,190	633,122,795

	NOTE	2021 HK$	2020 HK$
Current liabilities			
Trade and other payables and accruals	*10*	**153,493,421**	123,508,626
Lease liabilities		**13,922,336**	8,949,086
Contract liabilities		**8,576,969**	10,464,703
Tax liabilities		**10,060,668**	3,558,434
Amount due to a non-controlling shareholder of a subsidiary		**18,359,853**	16,810,490
Amount due to a related company		**61,800**	48,402
Bank borrowings		**62,609,035**	79,786,671
		267,084,082	243,126,412
Net current assets		**341,060,108**	389,996,383
Total assets less current liabilities		**889,219,540**	883,595,998
Non-current liabilities			
Lease liabilities		**47,115,912**	44,400,592
Amount due to a related company		**178,945**	223,361
Deferred tax liabilities		**9,866,407**	9,044,502
		57,161,264	53,668,455
Net assets		**832,058,276**	829,927,543
Capital and reserves			
Share capital		**2,536,395**	2,536,395
Reserves		**833,177,658**	830,665,444
Total attributable to owners of the Company		**835,714,053**	833,201,839
Non-controlling interests		**(3,655,777)**	(3,274,296)
Total equity		**832,058,276**	829,927,543

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	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 2020	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
Loss for the year	–	–	–	–	–	–	–	–	(10,706,159)	(10,706,159)	(428,438)	(11,134,597)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	13,218,373	–	13,218,373	46,957	13,265,330
Other comprehensive income for the year	–	–	–	–	–	–	–	13,218,373	–	13,218,373	46,957	13,265,330
Total comprehensive income (expense) for the year	–	–	–	–	–	–	–	13,218,373	(10,706,159)	2,512,214	(381,481)	2,130,733
At 31 December 2021	2,536,395	368,949,127	188,956,957	62,400	103,571,033	63,252,165	(22,985,932)	39,901,986	91,469,922	835,714,053	(3,655,777)	832,058,276

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 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 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 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, the application of the amendments to HKFRSs in the current year has 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 the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories (i.e. sales commission, transportation costs and sales-related taxes). The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

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[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendment to Hong Kong Interpretations 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
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 April 2021.
[2] Effective for annual periods beginning on or after 1 January 2022.
[3] Effective for annual periods beginning on or after 1 January 2023.
[4] Effective for annual periods beginning on or after a date to be determined.

Except for 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 HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 "Income Taxes" so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 December 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK$59,583,093 and HK$61,038,248 respectively. The Group is still in the process of assessing the full impact of the 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").

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

	Revenue		**Segment profit (loss)**	
	2021	2020	**2021**	2020
	HK$	*HK$*	***HK$***	*HK$*
Lending Business	**1,920,242**	6,756,759	**47,017**	(26,850,426)
Manufacturing and Sales Business *(note)*	**579,682,944**	486,079,273	**(16,485,631)**	10,187,944
Music and Entertainment Business	**4,387,349**	4,071,062	**(4,501,611)**	(8,527,786)
Property Business	**4,477,272**	4,880,323	**35,625,414**	(14,416,509)
Securities Trading Business	**–**	–	**(2,003,642)**	(32,845,363)
Trading Business	**33,108,915**	30,887,078	**(3,054,649)**	1,670,886
Total	**623,576,722**	532,674,495	**9,626,898**	(70,781,254)
Bank interest income			**754,500**	1,153,875
Unallocated corporate expenses			**(22,129,908)**	(18,796,063)
Share of results of joint ventures			**(3,750)**	(4,000)
Certain finance costs			**–**	(11,107)
Loss before taxation			**(11,752,260)**	(88,438,549)

Note: Included in the segment loss from Manufacturing and Sales Business of HK$5,852,689 represented the segment loss resulting from the mask production business, which has suspended its operation during the year ended 31 December 2021.

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 corporate expenses, share of results of joint ventures and certain finance costs on lease liabilities. 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 2021

	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	**10,248,051**	**430,925,617**	**3,832,136**	**476,360,389**	**26,034,283**	**11,830,635**	**959,231,111**	**–**	**959,231,111**
Other assets									**197,072,511**
Consolidated assets									**1,156,303,622**
Segment liabilities	**1,204,401**	**207,557,471**	**2,561,557**	**78,450,897**	**92,651**	**13,951,017**	**303,817,994**	**–**	**303,817,994**
Inter-group liabilities	**65,981,607**	**–**	**–**	**–**	**94,946,212**	**–**	**160,927,819**	**(160,927,819)**	**–**
Total	**67,186,008**	**207,557,471**	**2,561,557**	**78,450,897**	**95,038,863**	**13,951,017**	**464,745,813**	**(160,927,819)**	**303,817,994**
Other liabilities									**20,427,352**
Consolidated liabilities									**324,245,346**

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

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 its major products and services:

	2021	2020
	HK$	*HK$*
Sales of printing products	**612,791,859**	516,966,351
Artistes management fee income	**391,498**	57,917
Income from the licensing of the musical works	**2,391,187**	3,029,834
Loan interest income from Lending Business	**1,920,242**	6,756,759
Promotion income	**10,000**	153,333
Rental income	**4,477,272**	4,880,323
Sales of albums	**1,594,664**	829,978
	623,576,722	532,674,495

Geographical information

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

	Revenue from external customers		Non-current assets	
	2021	2020	**2021**	2020
	HK$	*HK$*	***HK$***	*HK$*
Hong Kong	**234,018,508**	227,654,406	**269,502,371**	213,140,186
The PRC	**256,221,762**	200,393,633	**243,369,670**	260,559,576
Europe	**35,472,242**	27,607,233	**–**	–
United States	**73,495,815**	50,065,286	**–**	–
Others	**24,368,395**	26,953,937	**–**	–
	623,576,722	532,674,495	**512,872,041**	473,699,762

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 2021 and 2020.

5. TAXATION CREDIT

	2021	2020
	HK$	*HK$*
The taxation comprises:		
Hong Kong Profits Tax		
Charge for the year	**(773,864)**	(1,596,104)
Overprovision in prior years	**15,359**	401,092
	(758,505)	(1,195,012)
PRC Enterprise Income Tax		
Charge for the year	**(4,354,565)**	–
(Under) overprovision in prior years	**(4,053,184)**	2,807,805
	(8,407,749)	2,807,805
Deferred tax credit (charge) for the year	**9,783,917**	(491,299)
	617,663	1,121,494

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 2021 and 2020, 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

	2021	2020
	HK$	*HK$*
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**2,100,000**	2,100,000
Cost of inventories recognised as an expense (including write-down of inventories of HK$1,738,392 (2020: HK$1,570,414))	**284,536,781**	226,205,655
Depreciation of right-of-use assets	**10,141,861**	8,758,023
Depreciation of other property, plant and equipment	**28,105,742**	28,389,168
Depreciation of property, plant and equipment	**38,247,603**	37,147,191
Less: included in cost of sales and services	**(26,832,006)**	(21,449,420)
	11,415,597	15,697,771
Staff costs including directors' emoluments		
– Salaries, wages and other benefits	**176,449,142**	155,240,175
– Contributions to retirement benefits schemes	**11,785,706**	2,135,822
Less: included in cost of sales and services	**(106,696,491)**	(92,564,118)
	81,538,357	64,811,879
Legal and professional fees	**9,701,796**	11,424,078
Gross rental income from investment properties	**(4,477,272)**	(4,880,323)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	**340,479**	291,480
	(4,136,793)	(4,588,843)
The following items are included in (reversal of impairment losses) impairment losses under ECL model on financial assets and contract assets, net:		
– (reversal of impairment losses) impairment losses on trade receivables, net	**(2,291,599)**	710,090
– (reversal of impairment losses) impairment losses on contract assets, net	**(714,591)**	855,504
– (reversal of impairment losses) impairment losses on loans receivable, net	**(183,063)**	30,554,241
– Impairment losses on amounts due from related companies	**–**	1,236,756
The following items are included in other interest income:		
– Bank interest income	**(754,500)**	(1,153,875)
– Interest income on rental deposits	**(80,216)**	(83,341)
The following items are included in other income:		
– Dividend income	**(1,214,590)**	(528,550)
– Government grants *(Note)*	**(4,239,371)**	(10,552,678)
– Others	**(2,451,500)**	(1,537,349)

Note:

For the year ended 31 December 2021, government grants represented one-off government grants in the PRC of HK$100,000 (2020: HK$3,036,252) related to grants under Covid-19 pandemic, the government grants that are receivable as a compensation for expenses incurred of HK$2,500,442 (2020: HK$2,997,641) and assets-related government grant of HK$1,638,929 (2020: nil) during the year ended 31 December 2021. During the year ended 31 December 2020, there were also government grants received for the Employment Support Scheme launched by the Hong Kong Government of HK$4,518,785.

7. DIVIDENDS

No dividend was paid or proposed for the years ended 31 December 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

8. 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:

	2021	2020
	HK$	*HK$*
Loss for the year attributable to owners of the Company for the purpose of calculating basic loss per share	**(10,706,159)**	(87,187,111)

	2021	2020
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.

9. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2021	2020
	HK$	*HK$*
Trade receivables	**121,178,354**	113,341,530
Less: allowance for credit losses	**(828,427)**	(3,093,921)
	120,349,927	110,247,609
Receivables with brokers' houses	**1,263,981**	10,191,214
Deposits and other receivables	**25,411,878**	22,312,508
Other tax recoverable	**5,370,516**	4,296,372
Prepayments	**11,356,989**	11,860,199
	163,753,291	158,907,902
Analysed for reporting purposes as:		
Current assets	**159,596,715**	155,011,721
Non-current assets	**4,156,576**	3,896,181
	163,753,291	158,907,902

As at 1 January 2020, trade receivables from contracts with customers amounted to HK$135,468,973.

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.

	2021	2020
	HK$	*HK$*
Manufacturing and Sales Business and Trading Business:		
0 – 30 days	**80,719,503**	58,405,247
31 – 60 days	**22,572,999**	33,881,466
61 – 90 days	**8,666,407**	11,183,977
Over 90 days	**7,232,846**	5,569,541
	119,191,755	109,040,231
Music and Entertainment Business:		
0 – 30 days	**517,851**	778,509
31 – 60 days	**8,116**	129,147
61 – 90 days	**151,276**	89,722
Over 90 days	**480,929**	210,000
	1,158,172	1,207,378
Total trade receivables	**120,349,927**	110,247,609

10. 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.

	2021	2020
	HK$	*HK$*
0 – 30 days	**62,337,708**	46,307,321
31 – 60 days	**12,212,615**	17,421,917
61 – 90 days	**5,806,321**	11,043,614
Over 90 days	**2,334,873**	9,680,938
	82,691,517	84,453,790
Accrued expenses and other payables	**31,364,139**	39,054,836
Construction costs payables for properties under development for sale	**39,437,765**	–
	153,493,421	123,508,626

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the Year of 2021 (the "Year"), the business activities of the Group were continuously affected by the coronavirus disease 2019 ("COVID-19") pandemic which still affect the global economy to a certain extent. Along with the mass injection of vaccine, more and more countries have started to relax the anti-pandemic precaution measures, which boosts up the consumption market all over the world during the Year. Although the restriction on cross-border travel among countries and the international shipment delay due to the outbreak of COVID-19 in certain major container terminals were still persistent during the Year, the global economy gradually resumed under the new normal environment. The turnover of most of the business segments were improved. Meanwhile, the Group commenced the development of the industrial park project in Qingyuan City, the PRC during the Year and the phase II construction has been commenced. The sales and marketing activities of the industrial park was kicked off within the Year and more marketing resources were allocated to drive the sales in 2022.

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

BUSINESS AND FINANCIAL REVIEW

Total Revenue and Gross Profit Margin

During the Year, total revenue of the Group was approximately HK$623.6 million (2020: approximately HK$532.7 million) and the gross profit margin was approximately 17.4% (2020: 25.0%). The contribution of each business segment to the revenue of the Group is as follows:

	2021 *HK$*	**Approximate % to total revenue**	2020 *HK$*	Approximate % to total revenue
Lending Business	**1,920,242**	**0.3%**	6,756,759	1.3%
Manufacturing and Sales Business	**579,682,944**	**93.0%**	486,079,273	91.2%
Music and Entertainment Business	**4,387,349**	**0.7%**	4,071,062	0.8%
Property Business	**4,477,272**	**0.7%**	4,880,323	0.9%
Trading Business	**33,108,915**	**5.3%**	30,887,078	5.8%
Total revenue	**623,576,722**	**100%**	532,674,495	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, it is carried out by Grand Prospects Finance International Limited (華泰財務國際有限公司), a wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability and a licensed money lender under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). Customers of this segment included both individuals and corporate entities and most of the loans were either secured by properties located in Hong Kong, pledges of shares or personal guarantees.

The Group has adopted a set of internal guidelines for its money lending business. The guidelines provide references or specific requirements for setting of interest rates of the loan, the tenure of the loan and the credit assessment and approval process of each loan. The guidelines also set out the procedures to be observed by the Group for its money lending business. Monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

The persistent spread of COVID-19 has worsened the economic development in the territory and the keen market competition arising therefrom in turn adversely affected the number and amount of new loans granted by the Group. The total amount of new loans granted during the Year was approximately HK$4.3 million and the average loan interest rate of the Group's loan portfolio was ranging from 13%-37%.

Though the Group was able to receive the majority of interest income as scheduled, its loan portfolio decreased to approximately HK$9.1 million as at 31 December 2021 (31 December 2020: HK$29.6 million). During the Year, the interest income from loans decreased by approximately 71.6% to approximately HK$1.9 million (2020: HK$6.8 million), mainly due to the decrease in the number of loan portfolios during the Year. The segment gain of the Lending Business was approximately HK$47,000 (2020: segment loss of HK$26.9 million) and the improvement was mainly due to the absence of impairment loss (2020: HK$30.6 million) during the Year. The segment gain is relatively low for the Year because (i) interest income from loans decreased significantly, making it just able to cover the expenses incurred in the Lending Business; and (ii) operating expenses increased during the Year for further enhancement of the online money lending platform.

The Group has concentration of credit risk as 80% (2020: 52%) of the total loans receivable was due from three (2020: two) independent third parties of total of approximately HK$7,320,000 (2020: HK$31,719,306).

The directors of the Company estimate the estimated loss rates of loans receivable based on historical credit loss experience of the debtors as well as the fair value of the collateral pledged by the customers to the loans receivable. For those loans receivable secured by properties located in Hong Kong with aggregate amount of HK$9,115,671 (2020: HK$27,429,434), the directors of the Company considered the loss given default is low in view of the fair value of the collaterals are higher than the carrying amounts of the respective loans receivable. The Group has not recognised a loss allowance for the loans receivable as a result of these collaterals. Gross carrying amount of loans receivable amounting to HK$22,612 (2020: HK$6,312,852) is unsecured as at 31 December 2021.

Gross carrying amount of loans receivable amounting to HK$27,760,367 as at 31 December 2020 is secured by the entire issued share capital of immediate holding company of the borrower and guaranteed by the son of the ultimate beneficial owner of the borrower. During the year ended 31 December 2020, the counterparty of this loans receivable defaulted in repayment and no settlement was made for the outstanding balances during the year ended 31 December 2021. The management of the Group considered that the credit risk on the loan to this loans receivable significantly increased during the year ended 31 December 2020. In view of this, the management started to assess the expected credit losses (ECL) on this loans receivable changing from 12-month ECL to lifetime ECL during the year ended 31 December 2020. In view of the probability of the default and the recoverable amount of the pledges, which is expected to be insignificant, an impairment losses of HK$26,549,287 was recognised during the year ended 31 December 2020.

During the year ended 31 December 2020, there are counterparties with gross carrying amount of HK$3,958,939 defaulted in repayment and no settlement was made for the outstanding balances during the year ended 31 December 2020. In view of the continuous non repayment from the debtors, an impairment loss of HK$3,828,939 was recognised on these credit-impaired debtors during the year ended 31 December 2020. Also, the Group has recognised net reversal of impairment allowance of HK$183,063 (2020: net impairment allowance of HK$176,015) on the remaining loans receivable during the year ended 31 December 2021.

Manufacturing and Sales Business

This segment represented: (a) the manufacturing and sales of printing products, such as packaging boxes, labels, paper products and paper shopping bags, with a worldwide customer base; and (b) the manufacturing and sales of surgical masks, with a Hong Kong customer base. The segment revenue increased by approximately 19.3% to HK$579.7 million (2020: approximately HK$486.1 million) and the segment loss was approximately HK$16.5 million (2020: approximately HK$10.2 million). The operations and financial performance of each business division are detailed below.

(a) Manufacturing and sales of printing products

During the Year, the Manufacturing and Sales Business continued to experience an extremely difficult and challenging environment. The continuous spread of COVID-19 in different countries hindered the recovery of global economy and the governments were unable to ease the restrictions on international travel and economic activities. Besides, the outbreak of COVID-19 in certain container terminals in the PRC resulted in temporary suspensions of international cargo freights during the Year, which delayed the shipping of products to overseas and pushed up the transportation cost significantly. The suspension in shipment and shortage of containers increased the operating costs of the Group and also delayed the collection of receivables from overseas clients. Even though the economic activities have not recovered during the Year, the Group's revenue in the manufacturing and sales of printing products still benefited from the increase in the global demand of goods and services that was adversely effected in 2020.

The segment revenue of the business increased by approximately 20.6% to HK$578.4 million for the Year (2020: approximately HK$479.8 million), mainly attributable to the increase in sales orders of all types of printing products from overseas and domestic clients.

Segment loss of approximately HK$10.6 million was recorded for the Year (2020: approximately HK$13.2 million), mainly attributable to the following factors:

(i) The decrease of gross profit margin by 7.2 percentage points to approximately 16.4% for the Year (2020: approximately 23.6%), mainly due to the increase in material prices and the increase of average material consumption rate to approximately 5.7% during the Year.

(ii) The absence of the anti-epidemic subsidies from the government of Hong Kong and the PRC and the one-off government subsidies for the trade war between U.S. and the PRC totaling approximately HK$7.6 million in the Year. The ratio of total staff costs and other related expenses to sales remained stable as compared with Year 2020.

(iii) Since certain machineries were no longer suitable for the production activities of our factories, a loss of approximately HK$2.2 million arising from the disposal of machines was recorded.

(iv) The average exchange rate of Renminbi ("RMB") against Hong Kong dollars appreciated by approximately 7.1% as compared with 2020. The fluctuation brought about a negative impact on the segment result as most of the production and operating expenses were denominated in RMB while approximately 59.1% of the sales of this segment was dominated in Hong Kong dollars or currencies other than RMB.

(b) Manufacturing and sales of surgical masks

The Group established this sub-segment in 2020 operating in the Fanling Building (as defined below). The revenue of the business was approximately HK$1.3 million during the Year (2020: approximately HK$6.3 million). The loss for the Year was approximately HK$5.9 million (2020: approximately HK$3.0 million) and the increase in loss was mainly attributable to: (i) the impairment of finished goods of approximately HK$1.4 million due to the lowered market price of surgical masks; and (ii) the impairment loss of approximately HK$1.9 million on the production facilities for masks. After a thorough review of the financial performance and the prevailing market demand and supply, the management ceased the manufacturing of surgical masks during the Year.

Music and Entertainment Business

Revenue from the 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 the segment increased by approximately 7.8% to HK$4.4 million (2020: approximately HK$4.1 million) and the segment loss for the Year was approximately HK$4.5 million (2020: approximately HK$8.5 million).The increase in revenue was mainly attributable to the increase in sales of physical albums. Over 60% of the segment revenue was derived from licensing income from online music platforms. The decrease in segment loss was mainly attributable to:

(i) The rental expenses decreased as the tenancy agreements entered into for overseas talents show in 2019 has ended.

(ii) The capitalized costs of song production were fully amortized during the Year.

During the Year, the business activities of the segment were continuously affected by COVID-19 as the number of shows and concerts, as well as outdoor activities in Hong Kong and elsewhere in the Greater Bay Area were quite limited. The first show to be launched and produced for contracted famous overseas talents show will be further delayed to 2023.

Property Business

Property Development Business

The Group had two property development projects as at 31 December 2021 (31 December 2020: two). During the Year, 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.

Zhongqing

Zhongqing held the land use right of two commercial land parcels in Qingyuan, the PRC ("Qingyuan Land"). 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 Qingyuan Land from 24 June 2014 to 23 June 2016 (the "Freeze Order"), aiming to ensure that Zhongqing would have sufficient assets for the repayment of 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 supposed to be 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 the deadline for repayment by Zhongqing was 30 October 2014 accordingly. 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 term of the Freeze Order and the application was accepted. The extended term of 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 term of the Freeze Order and the application was accepted accordingly. The further extended term of 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 Board has from time to time considered the possibility of and the suitable timing for commencing the compulsory enforcement proceedings against Zhongqing to put the Qingyuan Land for sale in the auction (the "Compulsory Enforcement") over these years. Recently, after assessing the market condition, the government policies and recent development projects in Qingyuan City as well as the professional expertise and financial resources of the Group, the Board considers that it is the time to commence the Compulsory Enforcement. More details of the Compulsory Enforcement were disclosed in the announcement of the Company dated on 11 March 2022.

Zhongda Qingyuan

The Group, through Zhongda Qingyuan, owned a land parcel in Qingyuan City, the PRC, with a total area of approximately 208,000 square metres ("sqm") and planned to build an industrial park with an array of industrial buildings, commercial buildings, apartments and dormitories. The buildings thereon were intended for lease or sales. 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 2021, approximately 89.5% of the 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 in 2022. The Group submitted the second phase development plan with an expected gross floor area of approximately 118,000 sqm to the relevant governmental authority in July 2021, representing around 28% of the planned gross floor area of the land parcel. The second phase development will comprise 19 industrial buildings and certain ancillary structures. The corresponding pre-sales and marketing activities commenced since the forth quarter of the Year, and the Group has appointed several property agents for the sales and lease of the industrial buildings during the Year. No provisional sales and purchase agreement has been entered as at 31 December 2021. More extensive sales and marketing activities will be launched in the first half year of 2022.

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") were used for the operation of the Mini Storage Business. The management considered that the overall business environment in Hong Kong is experiencing increasing challenges, causing uncertainties and pressure to the Group's property development and investment businesses in the near term. Therefore, on 21 October 2021, the Group entered into a provisional sales and purchase agreement with an independent third party to sell the entire issued share capital of Profit Link Investments Limited, the holding company of the Fanling Building, at an initial purchase price of HK$231 million. The disposal allows the Group to reallocate its resources more efficiently and enhances its operations and financial prospects in the long term. In view of the disposal, the management decided to cease the Mini Storage Business which was carried out in the Fanling Building. As at 31 December 2021, all lease agreements of the Mini Storage Business have been terminated. Approximately 35.4% of revenue of the Property Business was derived from the Mini Storage Business during the Year.

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") which was leased to an independent third party as at 31 December 2021. During the Year, due to the adverse economic impact arising from the persistent spread of COVID-19, the Group provided the tenant with a rental concession totalling HK$2.1 million. Approximately 55.1% 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") which was leased to an independent third party during the Year, and the annual rental income was approximately HK$427,000.

According to the Group's accounting standards, 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 gain of approximately HK$46.8 million was recorded in "other gains and losses" of the Group during the Year (2020: fair value loss of HK$9.9 million). The fair value gain of the Fanling Building, the Yuen Long Property and the Beijing Property were HK$39.7 million, HK$5.9 million and HK$1.2 million respectively. The increase in fair value of the Fanling Building was attributable to the initial purchase price as per the provisional sales and purchase agreement signed on 21 October 2021. The increase in fair value of the Yuen Long Property and the Beijing Property was mainly due to the higher rental yield of adjacent locations.

Trading Business

Revenue from the Trading Business increased to approximately HK$33.1 million (2020: approximately HK$30.9 million) while a segment loss of approximately HK$3.1 million was recorded during the Year (2020: segment profit of approximately HK$1.7 million). The segment loss was mainly attributable to: (i) the decrease in gross profit margin by 1.8%; (ii) the higher technical and operating costs incurred in the development of the new online trading platform which aimed at providing one-stop sourcing and logistic services to overseas customers; and (iii) more overseas sales consultants and agents were engaged to develop the sales network of the new online trading platform business.

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 2021 amounted to approximately HK$47.3 million (31 December 2020: approximately HK$40.9 million). During the Year, the Group recorded a fair value loss in investments of securities listed in Hong Kong of approximately HK$2.7 million (2020: approximately HK$32.5 million), a realized loss of approximately HK$27,000 (2020: approximately HK$5.7 million) and a dividend income of approximately HK$970,000 (2020: approximately HK$529,000).

The Group's investments as at 31 December 2021 included securities of 11 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 2021. 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. Zhong Wei has invested in more than 30 entities including public and private entities incorporated in Hong Kong and the overseas. These entities principally engaged in, including but not limited to educational sectors, entertainment and recreational sectors, financial technological sectors, healthcare sectors and telecommunication sectors. Its fair value as at 31 December 2021 amounted to approximately HK$17.5 million, representing approximately 1.5% of the Group's audited total assets as at 31 December 2021. The top five largest investments amounted to approximately HK$40.1 million, representing approximately 3.5% of the Group's audited total assets as at 31 December 2021.

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 investments after the acquisition as well as revise the investment strategy in a cautious manner 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:

	2021	2020
	HK$	*HK$*
Change in fair value of financial assets at FVTPL *(Note a)*	**(2,722,561)**	(32,529,639)
Change in fair value of investment properties *(Note b)*	**46,763,317**	(9,917,231)
Net foreign exchange loss	**(4,697,543)**	(8,151,710)
Net (loss) gain on disposal of property, plant and equipment	**(2,183,026)**	322,912
Impairment loss on property, plant and equipment *(Note c)*	**(1,934,349)**	–
Total	**35,225,838**	(50,275,668)

Notes:

(a) 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$2.7 million (2020: approximately HK$32.5 million).

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

(c) The impairment loss on property, plant and equipment was made for the manufacturing and trading of the Surgical Mask Business which was ceased during the Year.

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 2021 and 31 December 2020:

	Notes	**As at 31 December 2021** ***HK$***	As at 31 December 2020 *HK$*
Current ratio	*(a)*	**2.3**	2.6
Quick ratio	*(b)*	**1.5**	1.9
Gearing ratio	*(c)*	**17.1**	18.1

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 2021, the Group had short-term bank deposits and cash and cash equivalents of approximately HK$149.0 million (31 December 2020: approximately HK$228.9 million) and total borrowings of approximately HK$142.2 million (31 December 2020: approximately HK$150.2 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 at 18% per annum. Secured bank borrowings were payable within one year 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 2.2% 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 2021. The gearing ratio of the Group decreased from 18.1% to 17.1% as at 31 December 2021, 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 2022, 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 political unrest among different countries, the expected increasing unemployment rate in Hong Kong and the variation of COVID-19 that will continue to cast uncertainty on the business sector of the world, especially in the coming months in Hong Kong. However, as more and more countries relaxed the epidemic prevention measures and the restrictions on international flights, a positive impact on the recovery of the global economy is reasonably expected. In order to cope with the complicated and ever changing 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 deteriorating economic environment caused by the continuous spread of COVID-19 and the keen market competition, the Group will take calculated risks when expanding the loan portfolio of the Lending Business. The Group will continue to use the online money lending platform to attract more new customers and allocate more financial resources to expand the business scale by enlarging the loan portfolio in a prudent way.

Manufacturing and Sales Business and Trading Business

In 2022, the business of the Company will see all sorts of challenges and opportunities, especially the Manufacturing and Sales Business of printing products. As a growing number of countries will relax the epidemic prevention measures and ease the restrictions on international travel, these initiatives will stimulate the economic activities within and across the countries and have a positive impact on the global economy. However, the political and economic tensions between the PRC and other countries and the war between Russia and Ukraine may further intensify the uncertainty on the global economy. All of these factors may negatively affect the demand for and supply of China-made products. These impact will continue affecting the financial performance of the Group, and is expected to persist in 2022 and may have adverse impact on delivering the annual budget target for 2022.

All the above factors will affect both export and domestic sales of the business 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 flows to weather any sudden or prolonged adverse situation beyond its expectation. The Group will engage more overseas sales agents and participate in more overseas and domestic trade fairs so as to reach more new customers in 2022. On the other hand, the Group will also continue to acquire new printing machines and ancillary equipment for the expanded production line to enhance the production efficiency and lower the defect rate in production activities . Besides, certain parts of factories will be renovated and the automation of certain manufacturing processes will be enhanced to boost the overall efficiency of factories.

Quality management and enhancement and credit control on receivables will continue to be of the top priority of the Manufacturing and Sales Business in 2022. Meanwhile, the Group will keep sparing 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 2022, the Group will take this opportunity to diversify into the target market sectors with tightened control on operating costs.

In addition, to cope with the challenges experienced by the printing industry and to improve the profitability of the business, 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 identification of long term cooperation or joint venture opportunities with other industry players to expand the production capacity of factories; and (v) allocation of more resources to upgrade of facilities and recruitment of skilled labours to meet 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 allocate more resources to expand and develop the sales team in Hong Kong, overseas and the PRC and utilize the online trading platform, so as to broaden the clientele and optimize the product mix.

Music and Entertainment Business

As mentioned in the business and financial review section of the Music and Entertainment Business above, the Group and its partners expect to resume the production of shows in the Greater Bay Area and more promotional activities are expected to be launched in 2023. 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 and expand the music licensing business by acquisition or via licensing of existing catalogues from other song master owners.

Property Business

As disclosed in the announcement dated 11 March 2022 of the Company, the Group intends to apply to the People's Court for the commencement of the Compulsory Enforcement to put the commercial land parcels held by Zhongqing in Qingyuan for sales through land auction. The Group's subsidiary in the PRC intends to participate in the land auction and this transaction requires approval from shareholders. If the shareholders' approval is obtained and the Group's subsidiary succeeds in the land auction, the Group plans to develop two blocks of residential buildings with retail shops and car parks. However, the land may also be bid by other parties and the land parcels will be disposed of accordingly.

Meanwhile, the Group will engage the PRC lawyer to submit the application to the Court to further extend the term of the Freeze Order beyond 12 May 2022 so as to protect the interest of the Group.

As mentioned in the business and financial review section of the Property Business above, the construction work of phase I of the industry parks held by Zhongda Qingyuan is expected to be completed within 2022 and the construction work of phase II is in progress as scheduled. Sales and marketing of the industry park is of the top priority of the Property Business in 2022. The exhibition and sales center will be established in March, which will be able to deliver a better presentation of the overview of the industry park. Meanwhile, the Group will engage more property agents to reach more potential customers in and adjacent to the Qingyuan City. The Group has work with local banks to offer mortgage plans to potential customers who have expressed their interests in industrial buildings or floors therein. More works are scheduled in the coming months in order to push up the sales of the industrial buildings.

Securities Trading Business

The Group expects that 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 2021. 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$24.7 million (Year 2020: approximately HK$48.3 million) and approximately HK$68.5 million (Year 2020: HK$4.6 million) respectively. The capital expenditure for the Year was mainly attributable to the acquisition of machineries for production in the PRC, the addition of right of use assets from the leased offices and warehouses and the construction work conducted on the industrial park in Qingyuan City, the PRC.

CAPITAL COMMITMENTS

As at 31 December 2021, the Group had capital commitments of approximately HK$269.1 million (31 December 2020: approximately HK$7.3 million) which had been contracted for but had not been provided for in the financial statements for the acquisition of property, plant and equipment and construction work on the industrial park in Qingyuan City, the PRC. 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 2021 and 2020.

PLEDGE OF ASSETS

As at 31 December 2021, the Group had pledged leasehold building and investment properties with an aggregate carrying value of approximately HK$252.1 million (31 December 2020: approximately HK$205.4 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 2021.

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 2021, the Group had approximately 1,320 full-time employees (31 December 2020: approximately 1,400). Total staff costs (including Directors' remuneration) for the Year were approximately HK$176.4 million (Year 2020: approximately HK$155.2 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.

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES OR ASSOCIATED COMPANIES DURING THE YEAR

Save as disclosed below, the Group had no material acquisition or disposal of subsidiaries, associates and joint ventures during the Year.

Disposal of Profit Link Investment Limited ("Profit Link")

On 21 October 2021, Chung Tai Printing Holdings Limited ("Chung Tai Printing"), a wholly-owned subsidiary of the Company, SP (BVI) 1 Limited (the "Purchaser:") and Supreme Cycle Inc. (the "Guarantor"), a wholly-owned subsidiary of the Company entered into a provisional agreement (the "Provisional Agreement"), pursuant to which Chung Tai Printing conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the entire issued shares of Profit Link at the initial purchase price of HK$231 million, subject to adjustments (the "Disposal"). The principal asset of Profit Link is the Fanling Building.

As at 31 December 2021, the Disposal has not been completed, pending the fulfilment of the conditions precedent set out in the Provisional Agreement.

At a special general meeting of the Company held on 7 January 2022, the shareholders of the Company approved the Disposal and completion of the Disposal took place in accordance with the terms of the Provisional Agreement on 28 January 2022. Upon completion, the Company has ceased to have any interest in Profit Link and Profit Link has ceased to be a subsidiary of the Company.

The Disposal constituted a very substantial disposal of the Company under Chapter 14 of the Listing Rules. Please refer to the announcement of the Company dated 21 October 2021 and 28 January 2022 and the circular of the Company dated 17 December 2021 for further details of the Disposal.

EVENTS AFTER REPORTING PERIOD

Save for the completion of the Disposal as disclosed in the section headed "Material acquisition or disposal of subsidiaries or associated companies during the Year" in this announcement, the new construction agreement and the Compulsory Enforecement as disclosed below, there have been no significant events since the end of the Year and up to the date of this announcement.

New construction agreement

On 27 October 2021, Zhongda Qingyuan entered into a construction agreement (the "New Construction Agreement") with 廣東偉恒建築集團有限公司 (unofficial English translation being Guangdong Weiheng Construction Group Company Limited) ("Guangdong Weiheng") pursuant to which Zhongda Qingyuan agreed to engage Guangdong Weiheng for the provision of construction work to be carried on the industrial park project in Qingyuan City at the contract price of approximately RMB191.90 million. The New Construction Agreement constituted a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is subject to approval of the shareholders of the Company.

At a special general meeting of the Company held on 7 January 2022, the shareholders of the Company approved the New Construction Agreement.

Compulsory Enforcement

The Group intends to apply to the People's Court for the commencement of the Compulsory Enforcement to put the Qingyuan Land for sale in the auction. According to the relevant PRC laws and regulations, the auction will be conducted as a judicial auction through an online auction platform as decided by the People's Court. The auction will be open to the public.

The Group may or may not participate in the auction. A special general meeting will be convened for the purposes of, among other matters, considering and, if thought fit, approving the Compulsory Enforcement and the grant of the authorities to the Directors in advance by the Shareholders to apply for the Compulsory Enforcement. Please refer to the announcement of the Company dated 11 March 2022 for further details of the Compulsory Enforcement.

DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (Year 2020: 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 contained in Appendix 14 to the Listing Rules then in force (the "CG Code") throughout the Year.

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

On 30 December 2021, the Board established a nomination committee with defined written terms of reference in accordance with the CG Code. During the Year before the establishment of the nomination committee, 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 then in force. Before the establishment of the nomination committee, the Board was responsible for reviewing the structure, size and composition of the Board from time to time and the appointment and removal of Directors were subject to the Board's collective decision.

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 and consequently no opinion or conclusion 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 2021 will be despatched to the Shareholders and be available on the above websites in April 2022.

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, 25 March 2022

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; and Mr. Lee Kwok Wan, Mr. Lai Sai Wo, Ricky and Mr. Chu Gun Pui being the independent non-executive Directors.