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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 MARCH 2010**

The board of directors (the “Directors” or the “Board”) of Neway Group Holdings Limited (“Neway” or the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”, “our Group”, “we” or “us”) for the financial year ended 31 March 2010 (“2010”), together with the comparative figures for the corresponding financial year (“2009”) as follows:

#### **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2010**

	<i>NOTES</i>	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Revenue	3	<b>569,016</b>	691,495
Cost of sales		<b>(441,273)</b>	(567,993)
Gross profit		<b>127,743</b>	123,502
Interest income		<b>3,678</b>	6,735
Other income		<b>898</b>	329
Distribution costs		<b>(26,782)</b>	(34,994)
Administrative expenses		<b>(69,829)</b>	(60,648)
Other gains and losses		<b>28,545</b>	(41,449)
Finance costs		<b>(296)</b>	(8,586)
Share of loss of an associate		<b>(791)</b>	(905)
Profit/(loss) before taxation		<b>63,166</b>	(16,016)
Taxation	4	<b>(2,953)</b>	(1,920)
Profit/(loss) for the year	5	<b>60,213</b>	(17,936)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		<b>2,156</b>	5,662
Total comprehensive income for the year		<b>62,369</b>	(12,274)
Earnings/(loss) per share ( <i>HK cent</i> )	6		
Basic and diluted		<b>0.59</b>	(0.18)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 March 2010

	NOTES	2010 HK\$'000	2009 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		188,034	212,146
Prepaid lease payments		3,074	3,163
Deposits for land use right		39,352	33,793
Investment in an associate		16,933	17,724
Goodwill		36,025	–
Intangible assets		12,787	–
		<u>296,205</u>	<u>266,826</u>
<b>CURRENT ASSETS</b>			
Inventories		92,878	72,025
Film rights		6,152	–
Trade and other receivables, prepayments and deposits	8	110,611	95,943
Prepaid lease payments		88	89
Tax recoverable		379	–
Amount due from a related company		10,593	1,363
Short-term bank deposits		293,791	264,234
Cash and cash equivalent		85,569	116,521
		<u>600,061</u>	<u>550,175</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables and accruals	9	61,848	47,343
Tax liabilities		4,713	1,243
Bank borrowings		7,092	1,093
		<u>73,653</u>	<u>49,679</u>
<b>NET CURRENT ASSETS</b>		<u>526,408</u>	<u>500,496</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>822,613</u>	<u>767,322</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred taxation		13,908	12,832
<b>NET ASSETS</b>		<u>808,705</u>	<u>754,490</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		50,968	50,968
Reserves		757,737	703,522
<b>TOTAL EQUITY</b>		<u>808,705</u>	<u>754,490</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2010**

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Put option reserve <i>HK\$'000</i>	Deemed contribution from a shareholder <i>HK\$'000</i>	Convertible notes equity reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2008	50,968	210,950	-	-	17,110	62	32,494	467,542	779,126
Other comprehensive income for the year	-	-	-	-	-	-	5,662	-	5,662
Loss for the year	-	-	-	-	-	-	-	(17,936)	(17,936)
Total comprehensive income for the year	-	-	-	-	-	-	5,662	(17,936)	(12,274)
Early redemption of convertible notes	-	-	-	-	(17,110)	-	-	17,110	-
Dividends paid	-	-	-	-	-	-	-	(12,362)	(12,362)
At 31 March 2009	<u>50,968</u>	<u>210,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62</u>	<u>38,156</u>	<u>454,354</u>	<u>754,490</u>
At 1 April 2009	50,968	210,950	-	-	-	62	38,156	454,354	754,490
Other comprehensive income for the year	-	-	-	-	-	-	2,156	-	2,156
Profit for the year	-	-	-	-	-	-	-	60,213	60,213
Total comprehensive income for the year	-	-	-	-	-	-	2,156	60,213	62,369
Arising from acquisition of subsidiaries	-	-	(19,561)	19,561	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	(8,154)	(8,154)
At 31 March 2010	<u>50,968</u>	<u>210,950</u>	<u>(19,561)</u>	<u>19,561</u>	<u>-</u>	<u>62</u>	<u>40,312</u>	<u>506,413</u>	<u>808,705</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL AND BASIS OF PREPARATION

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. Its ultimate holding company is Newcorp Ltd., a company incorporated in the British Virgin Islands (“BVI”). Its immediate holding company is CNA Company Limited, a company incorporated in the BVI.

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.

### Change of Company’s name

Pursuant to a special resolution passed by the shareholders at a special general meeting of the Company held on 17 July 2009, the name of the Company was changed from Chung Tai Printing Holdings Limited to Newway Group Holdings Limited and “中星集團控股有限公司” has been adopted by the Company as its new Chinese name. The change of name became effective on 23 July 2009.

## 2. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis.

The Company and its subsidiaries (the “Group”) has applied, for the first time, the following new or revised standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – INT 18	Transfer of assets from customers

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (*see note 3*).

The Group has not early applied the following new and revised standards, amendments or interpretation that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>2</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>3</sup>
HKAS 24 (Revised)	Related party disclosures <sup>7</sup>
HKAS 27 (Revised)	Consolidated and separate financial statements <sup>1</sup>
HKAS 32 (Amendment)	Classification of rights issues <sup>5</sup>
HKAS 39 (Amendment)	Eligible hedged items <sup>1</sup>
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters <sup>4</sup>
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters <sup>6</sup>
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions <sup>4</sup>
HKFRS 3 (Revised)	Business combinations <sup>1</sup>
HKFRS 9	Financial instruments <sup>8</sup>
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement <sup>7</sup>
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners <sup>1</sup>
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments <sup>6</sup>

<sup>1</sup> *Effective for annual periods beginning on or after 1 July 2009.*

<sup>2</sup> *Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.*

<sup>3</sup> *Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.*

<sup>4</sup> *Effective for annual periods beginning on or after 1 January 2010.*

<sup>5</sup> *Effective for annual periods beginning on or after 1 February 2010.*

<sup>6</sup> *Effective for annual periods beginning on or after 1 July 2010.*

<sup>7</sup> *Effective for annual periods beginning on or after 1 January 2011.*

<sup>8</sup> *Effective for annual periods beginning on or after 1 January 2013.*

The directors of the Company anticipate that the application of the new or revised standards, amendments and interpretations will have no material impact on the consolidated financial statements.

### 3. SEGMENT INFORMATION

#### Segment revenues and results

The Group has adopted HKFRS 8 “Operating segments” with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by chief operating decision maker, represented by the board of directors of the Company, for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 “Segment reporting”) required an entity to identify two sets of segment (business and geographical), using a risks and returns approach.

In prior years, the Group's primary segment information was analysed based on the location of the Group's customers – (i) Hong Kong, (ii) other regions in The People's Republic China ("PRC"), (iii) United States of America, (iv) Europe and (v) others. However, information reported to the Company's board of directors who are the chief operating decision makers for the purposes of resource allocation and assessment of performance focuses more specifically on the type of business. The Group's operating segments under HKFRS 8 are therefore as follows:

- (a) sales of printing products ("Printing"); and
- (b) artistes management, production and distribution of music albums and movies ("Music and entertainment").

The comparative segment information has been restated upon the adoption of HKFRS 8.

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

	<b>Revenue</b>		<b>Segment profit</b>	
	<b>2010</b>	2009	<b>2010</b>	2009
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Printing	<b>549,884</b>	691,495	<b>35,116</b>	21,541
Music and entertainment	<b>19,132</b>	–	<b>877</b>	–
	<b><u>569,016</u></b>	<b><u>691,495</u></b>	<b><u>35,993</u></b>	<b><u>21,541</u></b>
Interest income			<b>3,531</b>	6,501
Unallocated corporate expenses			<b>(4,492)</b>	(2,998)
Net foreign exchange gain/(loss)			<b>28,925</b>	(31,876)
Effective interest expense on convertible notes			–	(8,279)
Share of loss of an associate			<b>(791)</b>	(905)
Profit/(loss) before taxation			<b><u>63,166</u></b>	<b><u>(16,016)</u></b>

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit earned by each segment without allocation of share of loss of an associate, net foreign exchange gain/(loss), unallocated corporate expenses and effective interest expense on convertible notes. This is the measure reported to the Group's management for the purpose of resource allocation and performance assessment.

## Segment assets and liabilities

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

	<b>Printing</b>	<b>Music and</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>entertainment</i>	<i>HK\$'000</i>
<b>As at 31 March 2010</b>		<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	<b>421,201</b>	<b>78,772</b>	<b>499,973</b>
Investment in an associate			<b>16,933</b>
Other assets			<b>379,360</b>
			<hr/>
			<b>896,266</b>
			<hr/>
Segment liabilities	<b>81,634</b>	<b>4,884</b>	<b>86,518</b>
Other liabilities			<b>1,043</b>
			<hr/>
			<b>87,561</b>
			<hr/>
Net assets			<b>808,705</b>
			<hr/> <hr/>
<b>As at 31 March 2009</b>			
Segment assets	418,521	–	418,521
Investment in an associate			17,724
Other assets			380,756
			<hr/>
			817,001
			<hr/>
Segment liabilities	61,436	–	61,436
Other liabilities			1,075
			<hr/>
			62,511
			<hr/>
Net assets			<b>754,490</b>
			<hr/> <hr/>

For the purposes of monitoring segments performances and allocating resources between segments:

- all assets are allocated to operating segments other than investment in an associate, short term bank deposits and cash and cash equivalents.
- all liabilities are allocated to operating segments other than certain other payables and accruals.

#### 4. TAXATION

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
The taxation charge comprises:		
Hong Kong Profits Tax		
Charge for the year	3,957	3,149
Overprovision in prior year	<u>(1,034)</u>	<u>(711)</u>
	<b>2,923</b>	2,438
Overseas taxation		
Charge for the year	1,450	2,082
Underprovision in prior year	<u>1</u>	<u>2</u>
	<b>1,451</b>	2,084
Deferred tax credit		
Current year	(1,421)	(1,711)
Attributable to change in tax rate	<u>-</u>	<u>(891)</u>
	<b>2,953</b>	<b>1,920</b>

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

#### 5. PROFIT/(LOSS) FOR THE YEAR

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit/(loss) for the year has been arrived at after charging/(crediting):		
Allowance for bad and doubtful debts (included in other gains and losses)	380	8,175
Reversal of allowance for bad debts	(55)	(261)
Amortisation of intangible assets	1,724	-
Auditor's remuneration	1,330	1,140
Cost of inventories recognised as an expense, including write-down of inventories of HK\$56,160 (2009: HK\$5,684,000)	430,125	567,993
Depreciation of property, plant and equipment	32,272	33,464
Amortisation of prepaid lease payments	89	89
Rental payments in respect of premises under operating leases	5,083	5,117
Staff costs including directors' emoluments		
– Salaries, wages and other benefits	117,149	127,722
– Contributions to retirement benefits schemes	878	860
Total staff costs	<b>118,027</b>	<b>128,582</b>

## 6. EARNINGS/(LOSS) PER SHARE

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Earnings/(loss) for the purposes of basic earnings/(loss) per share	<u>60,213</u>	<u>(17,936)</u>
	Shares	Shares
Weighted average number of shares for the purpose of basic earnings/(loss) per share	<u>10,193,545,600</u>	<u>10,193,545,600</u>

No diluted earnings per share has been presented as there were no potential ordinary shares outstanding for both years.

## 7. Dividends

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2010 interim – HK\$0.08 cent per share (2009: 2009 interim dividend of HK\$0.03 cent per share)	8,154	3,058
2008 Final – HK\$0.091 cent per share	–	9,304
	<u>8,154</u>	<u>12,362</u>

Subsequent to 31 March 2010, the directors proposed a final dividend of HK\$0.08 cent per share (2009: nil) be paid to the shareholders of the Company whose name appear on the Registrar of members on 13 August 2010. This final dividend is subject to approval of the shareholders at the forthcoming Annual General Meeting.

## 8. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

The Group's credit terms on sales of printing business generally range from 60 to 90 days. A longer period is granted to a few customers with whom the Group has a good business relationship and which are in sound financial condition. The Group allows an average credit period of 45 days to its customers of artistes management, production and distribution of music albums. The credit terms of the distribution of movie are determined by project basis. An aging analysis of the trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting periods.

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Printing business		
0 – 30 days	76,408	74,967
31 – 60 days	9,526	8,192
61 – 90 days	5,364	5,806
Over 90 days	277	3,197
	<u>91,575</u>	<u>92,162</u>
Music and entertainment business		
0 – 45 days	1,105	–
46 – 90 days	122	–
91 – 180 days	29	–
181 – 365 days	390	–
Over 365 days	2,399	–
	<u>4,045</u>	<u>–</u>
Total trade receivables	95,620	92,162
Deposits, prepayments and other receivables	14,991	3,781
	<u>110,611</u>	<u>95,943</u>

## 9. TRADE AND OTHER PAYABLES AND ACCRUALS

The following is an aged analysis of accounts payable presented based on the invoice date at the end of the reporting periods.

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
0 – 30 days	34,330	28,590
31 – 60 days	8,211	665
61 – 90 days	1,632	929
Over 90 days	411	864
	<u>44,584</u>	<u>31,048</u>
Accrued expenses and other payables	17,264	16,295
	<u>61,848</u>	<u>47,343</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

2009-2010 was a challenging year to the Group. On one hand, the Group devoted positive efforts to solidify the printing business, while at the same time broadened business portfolio to engage in music and entertainment business. Riding on the Group's experienced printing business that gave strong revenue stream, the Group explored new business opportunities and commenced its music and entertainment business operations since June 2009. Over the past nine months of operations, the new business has gone through its preparation stage and is transiting to a strong development platform with profit yet to come in the future.

#### ***Printing business***

The economy has been quickly recovered after the financial crisis in the end of 2008. Nevertheless, this momentum did not apply to the printing industry, especially the overseas markets. Demand for printing products from United States was significantly dropped in 2009.

The Group carefully examined the global environment during the year. Backed by the strong sales team, the Group successfully diversified its market focus on China. The revenue growth from China market partially offset the reduced revenue from the overseas. Coupled with the immediate cost control measures, effective inventory monitoring and credit management, the Group managed to secure the gross profit margin of the printing business at 22% (2009: 18%). Though the top-line dropped 20% compared to last year, bottom-line achieved turnaround to resume its growth momentum.

#### ***Music and entertainment businesses***

The music and entertainment businesses commenced operations since June 2009, with new business scope includes artistes' management, production and distribution of music album with contracted artistes, investment in films and TV programs. During the year, we have 10 contracted artistes and 2 contracted pop groups. Income contribution from the artistes' management was insignificant during the year given it just underwent nine-month start-up period. While the invested films and TV programs are yet to broadcast, and hence income is yet to harvest ahead.

### **Financial Review**

#### ***Revenue and gross profit margin***

For the year ended 31 March 2010, total revenue of the Group recorded approximately HK\$569.0 million (2009: HK\$691.5 million) with gross profit margin maintained at 22% (2009: 18%).

### *Printing business*

Revenue from printing business recorded 20% year-on-year decrease to approximately HK\$549.9 million during the year (2009: HK\$691.5 million), which mainly attributable to the decreased market demand in United States. However, the enhanced production efficiency, better inventory management with lower material costs together with the amounts of writing off of obsolete inventories reduced substantially from HK\$5.7 million last year to HK\$0.06 million for the year ended 31 March 2010, gross profit margin improved 4 percentage points to 22% compared to last year.

### *Music and entertainment businesses*

Revenue from music and entertainment businesses (includes sales of music albums, licensed fee income and service fee income for provision of promotion services) accounted for approximately HK\$19.1 million at its initial nine-month operations, with gross profit reached HK\$8.0 million and gross profit margin at 42%.

### **Distribution costs**

Distribution costs recorded approximately HK\$26.8 million for the year ended 31 March 2010, 23% lower than that in last year (2009: HK\$35.0 million), which was consistent with the decrease in consolidated revenue. The distribution costs as a percentage of revenue remained at 5% (2009: 5%).

### **Administrative expenses**

Administrative expenses increased by approximately 15% to approximately HK\$69.8 million for the year ended 31 March 2010 (2009: HK\$60.6 million). Such increase was mainly arising from the newly acquired music and entertainment business of approximately HK\$7.2 million since June 2009.

### **Other gains and losses**

Other gains and losses comprise the following major items:

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Net foreign exchange gains/(losses)	<b>28,925</b>	(31,876)
Allowance for bad and doubtful debts	<b>(380)</b>	(8,175)
Loss on redemption of convertible notes	–	(1,451)
Gain on disposal of property, plant and equipment	–	53
	<hr/>	<hr/>
Total	<b><u>28,545</u></b>	<b><u>(41,449)</u></b>

During the year, due to the strengthening of the Australian dollars (“AUD”) against Hong Kong dollars, we recorded an unrealised exchange gain of approximately HK\$28.9 million (2009: an unrealised exchange loss of approximately HK\$31.9 million).

Besides, due to better credit management, allowance for doubtful debts reduced substantially from HK\$8.2 million to HK\$0.04 million for the financial years ended 31 March 2009 and 2010 respectively.

Further, in previous year, the Group has early redeemed the convertible notes of HK\$123.0 million issued in November 2007 and recorded a loss on redemption of convertible notes of approximately HK\$1.5 million.

### **Finance costs**

In previous year, the Group has early redeemed the convertible notes of HK\$123.0 million issued in November 2007 and therefore recorded an one off finance costs of HK\$8.3 million. Due to the absence of the above mentioned item, the finance costs reduced by 97% to HK\$0.3 million for the year ended 31 March 2010.

### **Net Profit for the year**

For the financial year ended 31 March 2010, the Group recorded net profit for the year of approximately HK\$60.2 million (2009: loss of HK\$17.9 million) while the net profit margin was also improved to 11% (2009: -3%).

The improvement in net profit was mainly attributable to the following factors:

- (i) Improvement in gross profit margin by 4 percentage points due mainly to the decrease in amounts of inventory written off and lower material costs in this financial year;
- (ii) Record of an unrealised exchange gain from AUD fixed deposits of approximately HK\$28.9 million in this financial year as compared to an unrealised exchange loss from the same deposits of approximately HK\$31.9 million in the previous corresponding financial year; and
- (iii) Absence of an one-off finance costs of approximately HK\$8.3 million and loss on redemption of convertible notes of approximately HK\$1.5 million in this financial year.

## **LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE**

The following table set out the summary of the Group’s current ratio, quick ratio and gearing ratio as at 31 March 2009 and 2010:

	<i>Notes</i>	<b>2010</b>	2009
Current ratio	<i>(i)</i>	<b>8.1</b>	11.0
Quick ratio	<i>(ii)</i>	<b>6.9</b>	9.6
Gearing ratio (%)	<i>(iii)</i>	<b>0.9</b>	0.1

*Notes:*

- (i) Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the year.
- (ii) Quick ratio is calculated based on the difference between the total current assets and the inventories divided by the total current liabilities at the end of the year.
- (iii) Gearing ratio is calculated based on the total bank borrowings divided by total equity and multiplied by 100%.

As at 31 March 2010, the Group had short term bank deposits and cash and cash equivalents of approximately HK\$379.4 million (31 March 2009: HK\$380.8 million) and short term bank borrowings of HK\$7.1 million (31 March 2009: HK\$1.1 million). The Group maintained a strong and healthy liquidity and gearing ratio over the years.

Since June 2009, the Group engaged in music and entertainment business while we have allocated the working capital and financial resources of approximately HK\$16.4 million for the film rights, deposits paid for TV series production and trade receivables. Therefore, the current and quick ratios decreased slightly to 8.1 and 6.9 respectively as at 31 March 2010.

The Group generally finances its operation with internally generated cash flows and facilities provided by banks in Hong Kong and PRC. The Group continues to maintain a high level of operating cash position, thus reflecting the strength of its operating performance. Having considered the anticipated internally generated funds and available banking facilities, the Group has adequate resources to meet its future capital expenditures and working capital requirements. The Group will continue to follow a prudent policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well positioned to take advantage of opportunities for the business growth.

## **FUTURE OUTLOOK**

Leverage on the strong foothold of its printing business with sustainable and stable income and cash flow, looking ahead, the Group will dedicate its efforts on developing music and entertainment businesses. The Group will constantly maintain this two-prong growth strategy, in the view to provide steady returns as well as fruitful growth for shareholders.

### **Printing business**

Cautious geographical strategy will be carried out in the coming year. The Group will carefully adjust its resources post on overseas markets while at the same time devote intelligent on China market. With rising demand in China, coupled with supportive policies by the PRC government, the Group is confident to expand its clientele to include more customers in China.

## **Music and entertainment business**

The Group is ready to see its music and entertainment businesses enter its development stage. The Group will strive to solidify its industry platform and gradually advance its market presence. In the mean time, joint projects to establish film library and TV programs in China are planning to execute, quality films and TV series play are expected to launch in the years to come. The Group is optimistic and patient to broaden its profit base with this new growth engine.

## **FOREIGN EXCHANGE RISK**

The Group's sales and purchases were principally denominated in Renminbi, HK dollars and US dollars. As there is no significant fluctuation of exchange rate between HK dollars and US dollars throughout the year, the slight appreciation of the Renminbi did not have a materially unfavourable effect on the operations of the Group.

Save for the AUD time deposits held by the Company, almost all of the assets and liabilities of the Group were denominated in HK dollars, the Group was not exposed to significant foreign exchange risk. Thus, during the year under review, exchange rate fluctuation had not caused any major adverse impact on the operation or liquidity of the Group. Accordingly, the Group did not enter any financial derivative instruments to hedge against the foreign exchange currency exposures in this financial year. However, the Group will closely monitor the impact of change in value of the Renminbi on its operation and consider appropriate hedging solutions to use, if required. For the financial year ended 31 March 2010, the Group did not use any financial instruments for hedging purpose and did not have any hedging instruments outstanding as at 31 March 2010.

Besides, the intention of holding the time deposit in AUD was to earn higher yield on funds held and the Group has not engaged in any leveraged foreign exchange contracts and does not have any exposure to equity or currency accumulators. The said deposits are still held by the Group at the time of this result announcement.

## **CAPITAL EXPENDITURE**

For the year ended 31 March 2010, capital expenditure of the Group for property, plant and equipment amounted to HK\$7.4 million (2009: HK\$9.3 million).

## **CAPITAL COMMITMENTS**

As at 31 March 2010, the Group had made capital commitment of approximately HK\$15.6 million (31 March 2009: HK\$16.1 million) for acquisition of property, plant and equipment contracted for but not provided in the financial statements. The Group did not make any capital commitment for acquisition of property, plant and equipment authorized but not contracted for in both years.

## **CONTINGENT LIABILITIES**

The Group did not have any material contingent liabilities as at 31 March 2010 (31 March 2009: Nil).

## **PLEDGE OF ASSETS**

As at 31 March 2010, the Group did not pledge any bank deposits to secure its bank borrowings (31 March 2009: Nil).

## **HUMAN RESOURCES**

As at 31 March 2010, the Group had approximately 3,000 full time employees (31 March 2009: approximately 3,000). Total staff costs including directors' remuneration for the year ended 31 March 2010 was approximately HK\$118.0 million (2009: approximately HK\$128.6 million). The remuneration schemes are generally structured with reference to market conditions and the qualifications of the employees. The reward packages of the Group's staff are normally reviewed on an annual basis based on the staff and the Group's performance. Apart from salary payment, other staff benefits include contribution to Retirement Benefit Scheme and medical insurance for eligible employees. In-house and external training programmes are provided as and when required.

## **DIVIDEND**

The Board has recommended the payment of a final dividend of HK\$0.08 cent per share for the financial year ended 31 March 2010 to the shareholders whose names appear on the register of members of the Company on 13 August 2010.

## **ANNUAL GENERAL MEETING**

An annual general meeting of the Company will be held on Wednesday, 18 August 2010, notice of which will be published and dispatched to the shareholders as soon as practicable in accordance with the Company's Bye-law and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 16 August 2010 to Wednesday, 18 August 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend to be approved at the forthcoming Annual General Meeting on Wednesday, 18 August 2010, all transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 13 August 2010.

## **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 ended 31 March 2010.

## **CORPORATE GOVERNANCE PRACTICES**

The Board recognises that good corporate governance practices are vital to maintain and promote shareholder value and investor confidence and has introduced corporate governance practices appropriate to the conduct and growth of our business. The Company has complied with the Code Provisions in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules save for the following deviations:

The Company has not formalized and adopted written terms on the division of functions reserved to the Board and those delegated to the management. However, in practice, the Board takes responsibility for decision making in major matters of the Company while the day-to-day management, administration and operation are delegated to the senior executives. The Board also considers that the respective responsibilities of the Chairman and the Chief Executive Officer are clear and distinctive and hence written terms thereof are not necessary.

None of the directors are appointed for a specific term but they are subject to retirement by rotation once every three years pursuant to the Company's Bye-law.

## **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 of the Listing Rules as the code of conduct regarding Directors’ securities transactions. After having made specific enquiry with all Directors, the Company has received confirmations from all Directors that they have complied with the required standards set out in the Model Code during the year ended 31 March 2010.

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

## **REVIEW OF FINANCIAL STATEMENTS**

The audit committee comprises two independent non-executive directors and one non-executive director. The audit committee has reviewed with the management the accounting principles and policies adopted by the Group, discussed the auditing and financial reporting matters and have reviewed the annual results for the year ended 31 March 2010. In addition, the consolidated financial statements of the Group for the year ended 31 March 2010 have been audited by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu and an unqualified opinion report was issued.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 March 2010 as set out in this 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 performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This announcement is published on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and at the website of the Company at [www.newaygroup.com.hk](http://www.newaygroup.com.hk). The annual report will be dispatched to the shareholders and available on the above websites in due course.

## **APPRECIATION**

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

By Order of the Board  
**NEWAY GROUP HOLDINGS LIMITED**  
**SUEK Ka Lun, Ernie**  
*Chairman*

Hong Kong, 2 July 2010

*As at the date of this announcement, the directors of the Company are Mr. SUEK Ka Lun, Ernie (Chairman), Mr. SUEK Chai Hong (Chief Executive Officer), Mr. LAU Chin Hung and Mr. CHENG Chee Juen, Patrick being the Executive Directors; Dr. NG Wai Kwan, Mr. CHAN Kwing Choi, Warren and Mr. WONG Sun Fat being the Non-Executive Directors; Mr. TSE Tin Tai, Mr. CHENG Chi Wai and Ms. LUI Lai Ping, Cecily being the Independent Non-Executive Directors; and Mr. LAU Kam Cheong being the Alternate Director to Dr. NG Wai Kwan.*

\* *For identification purpose only*