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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)

DISCLOSEABLE TRANSACTION – PROVISION OF TRANSITIONAL GUARANTEE

THE TRANSITIONAL GUARANTEE

The Board announces that on 1 November 2022, Zhongda Qingyuan entered into the Cooperation Agreement with the Qingyuan Bank, pursuant to which Zhongda Qingyuan agreed to provide the Transitional Guarantee for the Mortgage Loan(s) to be granted to the Purchaser(s) by the Qingyuan Bank. The Transitional Guarantee shall become effective on the respective date(s) on which the Mortgage Loan(s) is/are released to the relevant Purchaser(s) as stipulated in the loan agreement(s) and shall remain in force until the completion of the relevant mortgage registration(s) over the Property(ies) as security of the Mortgage Loan(s).

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the provision of the Transitional Guarantee exceeds 5% but is less than 25%, the provision of the Transitional Guarantee constitutes a discloseable transaction for the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

* *For identification purpose only*

INTRODUCTION

The Group, through its wholly-owned subsidiary, Zhongda Qingyuan, is principally engaged in property development in the PRC. At present, Zhongda Qingyuan is developing the Zhongxing Industrial Park, which comprises an array of industrial buildings, commercial buildings, apartments and dormitories for lease or sales. The Group has started the sales and marketing activities of the first stage of development of the Zhongxing Industrial Park.

It is the usual commercial practice in the real estate industry in the PRC that property developers shall provide a transitional guarantee in favour of the mortgage banks for the buyers of properties which are still under development if the buyers will settle the purchase price of the property partly by mortgage loan.

Given that the construction work of the first stage of development of the Zhongxing Industrial Park has not been completed at present, in line with the usual commercial practice in the PRC, Zhongda Qingyuan will also provide transitional guarantees in favour of the mortgage banks for its customers of the Zhongxing Industrial Park.

THE TRANSITIONAL GUARANTEE

As Zhongda Qingyuan has identified a potential Purchaser which is interested to buy certain storeys of the Properties, Zhongda Qingyuan entered into the Cooperation Agreement with the Qingyuan Bank, pursuant to which Zhongda Qingyuan agreed to provide the Transitional Guarantee for the Mortgage Loan(s) to be granted by the Qingyuan Bank to the Purchaser(s).

The principal terms of the Cooperation Agreement are summarised as follows:

- Date : 1 November 2022
- Parties : (1) The Qingyuan Bank, as lender; and
(2) Zhongda Qingyuan, as guarantor.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, (i) the Qingyuan Bank is a PRC commercial bank principally engaged in the provision of a range of banking services and related financial services; and (ii) the Qingyuan Bank and its ultimate beneficial owners are Independent Third Parties.

Transitional Guarantee and :
Security Money

Zhongda Qingyuan agreed to provide the Transitional Guarantee up to an aggregate maximum principal amount of RMB16.5 million (equivalent to approximately HK\$17.99 million) in favour of the Qingyuan Bank in respect of the repayment obligations of the Purchaser(s) under the Mortgage Loan(s).

The amount guaranteed by Zhongda Qingyuan under the Transitional Guarantee shall include the principal amount of the Mortgage Loan(s), accrued interest thereon (including penalty interest, default interest etc.), damages and all expenses arising from the enforcement of creditor's rights by the Qingyuan Bank in respect of the Mortgage Loan(s), including but not limited to litigation fees, legal fees, travel expenses, valuation fees etc.

Zhongda Qingyuan is required to open the Security Money Account at the Qingyuan Bank and deposit the Security Money therein, which represents approximately 12% of the loan amount guaranteed by Zhongda Qingyuan. If any Purchaser fails to repay the principal and interest on time as stipulated in the relevant loan agreement(s) for the Mortgage Loan(s), Zhongda Qingyuan is liable to repay it on such Purchaser's behalf and the Qingyuan Bank has the right to deduct the amount payable by Zhongda Qingyuan from the Security Money Account directly.

Term : Zhongda Qingyuan's guarantee obligation under the Transitional Guarantee will commence from the respective date(s) on which the Qingyuan Bank releases the Mortgage Loan(s) to the Purchaser(s) as stipulated in the loan agreement(s) until the end of three (3) years from the respective maturity date(s) of the Mortgage Loan(s) (including the due dates of instalments and the early maturity date(s) as may be notified by the Qingyuan Bank), provided that upon the completion of the relevant mortgage registration(s) over the Property(ies) as security of the Mortgage Loan(s), the guarantee obligation of Zhongda Qingyuan under the Transitional Guarantee in respect of the relevant Mortgage Loan(s) shall cease immediately.

Zhongda Qingyuan currently does not intend to sell the Properties to Purchaser(s) who is/are connected person(s) (having the meaning ascribed to it under the Listing Rules) of the Group. However, if circumstances arise such that Zhongda Qingyuan sells the Property(ies) to Purchaser(s) who is/are connected person(s) of the Group, the Company will comply with all the applicable requirements under Chapter 14A of the Listing Rules as and when necessary.

The terms of the Cooperation Agreement, including the guarantee amount and the amount of the Security Money, were negotiated and entered into by Zhongda Qingyuan and the Qingyuan Bank on an arm's length basis and are on normal commercial terms. The guarantee amount was determined with reference to the aggregate maximum principal amount of the Mortgage Loan(s), which is expected to represent approximately 80% of the total purchase price of the Properties.

The entirety of the Mortgage Loan(s) to be granted by the Qingyuan Bank (after deducting the Security Money) will be paid to Zhongda Qingyuan for the partial settlement of the purchase price of the Properties. Such sale proceeds will form part of the general working capital of Zhongda Qingyuan. Any payment obligations of Zhongda Qingyuan arising from the Transitional Guarantee will be satisfied from its general working capital.

REASONS FOR AND BENEFITS OF THE PROVISION OF THE TRANSITIONAL GUARANTEE

The Group is principally engaged in (i) money lending; (ii) manufacturing and sales of printing and other products; (iii) artistes management, production and distribution of music albums; (iv) property development; (v) property investment; (vi) securities trading; and (vii) trading of printing and other products.

As it will take a considerable amount of time for property purchasers to obtain the property certificates in the PRC which is a prerequisite for the completion of the mortgage registration, it is not uncommon for property developers in the PRC to provide a transitional guarantee in favour of the banks which offer mortgage loans to the purchasers in respect of the purchasers' repayment obligations thereunder in order to facilitate the sale of properties and realise the capital recovery.

Having considered the prevalence of the provision of a transitional guarantee by property developers in the PRC, the Directors consider that the provision of the Transitional Guarantee by Zhongda Qingyuan is in line with the relevant policy requirements and the usual commercial practice in the real estate industry in the PRC and is incidental to the ordinary and usual course of the Group's property development business.

The Directors (including the independent non-executive Directors) are also of the view that the terms of the Cooperation Agreement are on normal commercial terms, fair and reasonable, and in the interest of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the provision of the Transitional Guarantee exceeds 5% but is less than 25%, the provision of the Transitional Guarantee constitutes a discloseable transaction for the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following terms shall have the following meanings:

“Board”	the board of Directors
“Company”	Neway Group Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“Cooperation Agreement”	the cooperation agreement dated 1 November 2022 entered into between Zhongda Qingyuan and the Qingyuan Bank in respect of the provision of the Transitional Guarantee
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected person(s) (having the meaning ascribed to it under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mortgage Loan(s)”	the proposed loan(s), the aggregate principal amount of which shall not exceed RMB16.5 million (equivalent to approximately HK\$17.99 million), which may be granted by the Qingyuan Bank to the Purchaser(s) for the acquisition of the Property(ies)
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

“Property(ies)”	the storey(s) of the industrial building No. 20 in the Zhongxing Industrial Park
“Purchaser(s)”	the purchaser(s) who/which will apply for the Mortgage Loan(s) from the Qingyuan Bank to fund the acquisition of the Property(ies)
“Qingcheng Land”	a parcel of land owned by Zhongda Qingyuan and located in the Qingyuan High-Tech Development Zone at District A, Dongkeng Cun Committee (東坑村委會), Yuantan Town (North of Lianhu Industrial Park), Qingcheng District, Qingyuan City, Guangdong Province, the PRC
“Qingyuan Bank”	廣東清遠農村商業銀行股份有限公司東城支行 (unofficial English translation being the Dongcheng Branch of Guangdong Qingyuan Rural Commercial Bank Co., Ltd.)
“RMB”	Renminbi, the lawful currency of the PRC
“Security Money”	the amount of security money to be deposited by Zhongda Qingyuan into the Security Money Account in connection with the Transitional Guarantee
“Security Money Account”	a special designated account to be opened by Zhongda Qingyuan at the Qingyuan Bank for the purpose of maintaining the Security Money
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transitional Guarantee”	irrevocable transitional guarantee(s) up to an aggregate maximum principal amount of RMB16.5 million (equivalent to approximately HK\$17.99 million) to be provided by Zhongda Qingyuan in favour of the Qingyuan Bank in respect of the repayment obligations of the Purchaser(s) as borrower(s) of the Mortgage Loan(s)

“Zhongda Qingyuan”	中大印刷(清遠)有限公司 (unofficial English translation being Zhongda Printing (Qingyuan) Co., Ltd.), a wholly-owned subsidiary of the Company
“Zhongxing Industrial Park”	an industrial park named “中星工業園” (unofficial English translation being Zhongxing Industrial Park) located on the Qingcheng Land and under development by Zhongda Qingyuan
“%”	per cent.

In this announcement, for the purpose of illustration only, amounts quoted in RMB has been converted into HK\$ at the rate of RMB1.00 to HK\$1.09. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

On behalf of the Board
Neway Group Holdings Limited
Suek Ka Lun, Ernie
Chairman

Hong Kong, 1 November 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.