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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 TRANSACTIONS – PROVISION OF TRANSITIONAL GUARANTEES

THE TRANSITIONAL GUARANTEES

The Board announces that on 20 March 2023, Zhongda Qingyuan entered into the New Cooperation Agreements with ICBC, pursuant to which Zhongda Qingyuan agreed to provide the Transitional Guarantees for the Mortgage Loans to be granted to the Purchasers by ICBC. The Transitional Guarantees shall become effective on the respective effective dates of the relevant loan agreements and shall remain in force until the completion of the relevant mortgage registrations over the Properties and receipt of the registration proof by ICBC.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the provision of each Transitional Guarantee exceeds 5% but is less than 25%, the provision of each 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 GUARANTEES

Reference is made to the announcement of the Company dated 24 February 2023, pursuant to which it was announced that, among other matters, the Company had been informed by ICBC that Zhongda Qingyuan might not be able to meet the new eligibility criteria in accordance with the latest internal guidelines and requirements of ICBC.

Upon further review and consideration by ICBC, ICBC agreed to enter into the New Cooperation Agreements with Zhongda Qingyuan, the terms of which were substantially the same as those in the Previous Cooperation Agreements. Pursuant to the New Cooperation Agreements, Zhongda Qingyuan agreed to provide the Transitional Guarantees for the Mortgage Loans which may be granted to the Purchasers by ICBC for the acquisition of the Properties. Each of the Purchaser 1 and Purchaser 2 is an Independent Third Party and is not connected with each other.

The principal terms of each of the New Cooperation Agreements are identical and are summarised as follows:

Date : 20 March 2023

Parties : (1) ICBC, as lender; and
(2) Zhongda Qingyuan, as guarantor.

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

Transitional Guarantees and Security Money : Zhongda Qingyuan agreed to provide the Transitional Guarantees, each up to a maximum principal amount of RMB10.80 million (equivalent to approximately HK\$12.31 million), in favour of ICBC in respect of the repayment obligations of each of the Purchasers under the Mortgage Loans.

The amount guaranteed by Zhongda Qingyuan under the Transitional Guarantees shall include the principal, interest and other payables in relation to the Mortgage Loans (including compound interest, penalty interest, liquidated damages and all expenses arising from the enforcement of creditor's rights by ICBC including but not limited to litigation fees and legal fees).

Zhongda Qingyuan is required to open the Security Money Account at ICBC and deposit the Security Money therein, which represents approximately 5% of the loan amount guaranteed by Zhongda Qingyuan. If any of the Purchasers fails to repay the principal and interest on time as stipulated in the relevant loan agreements for the Mortgage Loans, Zhongda Qingyuan is liable to repay it on such Purchaser's behalf within 50 days after receipt of the payment demand from ICBC, failing which ICBC shall have the right to deduct the amount payable by Zhongda Qingyuan from the Security Money Account and/or any other bank account held by Zhongda Qingyuan in ICBC or any of its branch directly.

Term : Zhongda Qingyuan's guarantee obligation under the Transitional Guarantees will commence from the respective effective dates of the relevant loan agreements and shall remain in force until the completion of the relevant mortgage registrations over the Properties and receipt of the registration proof by ICBC.

The terms of the New Cooperation Agreements, including the guarantee amount and the amount of the Security Money, were negotiated and entered into by Zhongda Qingyuan and ICBC on an arm's length basis and are on normal commercial terms. The guarantee amount was determined with reference to the maximum principal amount of the relevant Mortgage Loan, which represents approximately 70% of the purchase price of Property 1 and Property 2 respectively.

The purchase price of the Properties was determined by the Group after taking into account factors including, but not limited to, the market price of comparable properties situated in the vicinity of the Qingcheng Land based on market information publicly available. The purchase price of each of the Properties is approximately RMB15.29 million (equivalent to approximately HK\$17.43 million).

The entirety of the Mortgage Loans to be granted by ICBC (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 Guarantees will be satisfied from its general working capital.

REASONS FOR AND BENEFITS OF THE PROVISION OF THE TRANSITIONAL GUARANTEES

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 Guarantees 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 New Cooperation Agreements 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 each Transitional Guarantee exceeds 5% but is less than 25%, the provision of each 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
“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
“ICBC”	the Qingyuan Branch of Industrial and Commercial Bank of China Ltd., a joint stock company listed on the Main Board of the Stock Exchange with stock codes 1398 and 4620 (USD preference shares), and the Shanghai Stock Exchange with stock code 601398
“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) which may be granted by ICBC to each of the Purchasers for the acquisition of the Properties, the principal amount of each such loan shall not exceed RMB10.80 million (equivalent to approximately HK\$12.31 million)

“New Cooperation Agreements”	the two cooperation agreements both dated 20 March 2023 entered into between Zhongda Qingyuan and ICBC in respect of the provision of the Transitional Guarantees
“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
“Previous Cooperation Agreements”	the two cooperation agreements both dated 5 January 2023 entered into between Zhongda Qingyuan and ICBC in respect of the provision of the Transitional Guarantees, the details of which were disclosed in the announcement of the Company dated 5 January 2023
“Properties”	collectively, Property 1 and Property 2
“Property 1”	the industrial building No. 14 in the Zhongxing Industrial Park
“Property 2”	the industrial building No. 17 in the Zhongxing Industrial Park
“Purchasers”	collectively, Purchaser 1 and Purchaser 2
“Purchaser 1”	Mr. Li Hongzhang (李洪長) or his nominee, being an Independent Third Party, who/which will apply for the Mortgage Loan from ICBC to fund his/its acquisition of the Property 1
“Purchaser 2”	Mr. Ouyang Feng (歐陽鋒) or his nominee, being an Independent Third Party, who/which will apply for the Mortgage Loan from ICBC to fund his/its acquisition of the Property 2

“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
“RMB”	Renminbi, the lawful currency of the PRC
“Security Money”	the amount of security money to be deposited by Zhongda Qingyuan into the relevant Security Money Account in connection with the Transitional Guarantee in respect of the Property 1 and Property 2 respectively
“Security Money Account”	a special designated account to be opened by Zhongda Qingyuan at ICBC for the purpose of maintaining the Security Money
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transitional Guarantees”	irrevocable transitional guarantees, each up to a maximum principal amount of RMB10.80 million (equivalent to approximately HK\$12.31 million), to be provided by Zhongda Qingyuan in favour of ICBC in respect of the repayment obligations of each of the Purchasers as borrowers of the Mortgage Loans
“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\$1.14. 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, 20 March 2023

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.