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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)

VERY SUBSTANTIAL ACQUISITION – NEW CONSTRUCTION AGREEMENT IN RESPECT OF THE QINGCHENG LAND

Reference is made to the announcement of the Company dated 22 October 2021, in which it was announced that Zhongda Qingyuan and the Previous Contractor had mutually agreed to terminate the Previous Construction Agreement with effect from 22 October 2021.

THE NEW CONSTRUCTION AGREEMENT

On 27 October 2021, Zhongda Qingyuan entered into the New Construction Agreement with Guangdong Weiheng pursuant to which Zhongda Qingyuan agreed to engage Guangdong Weiheng for the provision of the Phase 2 Construction Work on the Qingcheng Land for a total contract price of approximately RMB191.90 million (equivalent to approximately HK\$232.20 million).

LISTING RULES IMPLICATIONS

Zhongda Qingyuan has entered into the May Transaction and the September Transaction with Guangdong Weiheng in 2020. As the construction work under the May Transaction and the September Transaction is still ongoing and the construction work contemplated thereunder also relate to the Qingcheng Land, the New Construction Agreement is aggregated with the May Transaction and the September Transaction in classifying the transaction for the purpose of Chapter 14 of the Listing Rules.

* *For identification purpose only*

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the New Construction Agreement exceeds 100% (both on a standalone basis and when aggregated with the May Transaction and the September Transaction), the New Construction Agreement constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is subject to the notification, announcement, circular and Shareholders' approval requirements.

The SGM will be convened by the Company for the purpose of considering and, if thought fit, approving the New Construction Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) details of the New Construction Agreement; (ii) a notice convening the SGM; and (iii) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 24 December 2021, which has been determined after taking into account the estimated time required for the Company to prepare the relevant information for inclusion in the circular.

Reference is made to the announcement of the Company dated 22 October 2021, in which it was announced that Zhongda Qingyuan and the Previous Contractor had mutually agreed to terminate the Previous Construction Agreement with effect from 22 October 2021.

THE NEW CONSTRUCTION AGREEMENT

On 27 October 2021, Zhongda Qingyuan entered into the New Construction Agreement with Guangdong Weiheng on substantially the same terms as the Previous Construction Agreement. Details of the New Construction Agreement are set out below.

Date: 27 October 2021

Parties: (i) Zhongda Qingyuan; and
(ii) Guangdong Weiheng.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the principal business of Guangdong Weiheng includes general contracting and construction services, sale of construction materials and property development; (ii) the ultimate beneficial owners of Guangdong Weiheng are Ye Meiqing and Yun Wushen; and (iii) each of Guangdong Weiheng and its ultimate beneficial owners is an Independent Third Party.

Scope of services:

Guangdong Weiheng shall provide (i) construction services including, among other things, earthworks, foundation works, concrete works, masonry work, secondary structure construction, waterproofing and insulation works; and (ii) installation services including, among other things, devices for lightning protection, electricity protection, water supply and drainage.

Contract price:

The contract price is approximately RMB191.90 million (equivalent to approximately HK\$232.20 million) which was determined by way of tender. Zhongda Qingyuan invited and received four tenders for the Phase 2 Construction Work and ultimately accepted the bid by Guangdong Weiheng which was the most competitive.

The contract price is inclusive of all costs pertaining to the completion of the Phase 2 Construction Work including but not limited to labor and material costs, transportation expenses, insurance costs and management fee etc. The expected engineering quantities and their corresponding unit price are specified in the bill of quantities in the tender documents.

The contract price will be subject to adjustments in certain circumstances as stipulated in the New Construction Agreement including but not limited to a change of construction design, change of engineering quantities, changes in price of materials and change of laws and regulations. The adjustment will be calculated in accordance with the formula (if applicable to the relevant adjustment event) in the New Construction Agreement or by mutual agreement between the parties. In any event, any adjustment to the contract price is subject to verification by the cost engineer and approval of Zhongda Qingyuan. As the adjustment to the final contract price is subject to the final specifications of the Phase 2 Construction Work and many variables such as the extent of fluctuation of the price of construction materials, it is not commercially feasible for the parties to set any maximum or minimum limit of the adjustment which may be made to the contract price and no expected range of adjusted contract price can be available. Nevertheless, it is not expected that there will be any material upward adjustments of the contract price based on the existing scope of services and construction plan under the New Construction Agreement.

Having considered that similar adjustment mechanism is common in respect of construction work in the PRC and that all adjustments to the contract price under the New Construction Agreement will be subject to examination and verification by the cost engineer which possesses the relevant qualification in advising on construction costs as appointed by Zhongda Qingyuan, the Board is of the view that the adjustment mechanism in the New Construction Agreement is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

It is currently expected that the contract price will be funded as to approximately 60% by internal resources of the Group, approximately 25% by bank and other borrowings and approximately 15% by proceeds from the expected disposal of the Group's self-owned industrial building in Fanling, Hong Kong as disclosed in the announcement of the Company dated 21 October 2021.

Payment schedule:

The contract price shall be paid by Zhongda Qingyuan to Guangdong Weiheng in accordance with the progress of the construction in the following manner:

- (1) 15% of the contract price shall be paid to Guangdong Weiheng within 15 days upon completion of the foundation works as verified by Zhongda Qingyuan;
- (2) 35% of the contract price shall be paid to Guangdong Weiheng within 15 days upon completion of the roof of the main structure as verified by Zhongda Qingyuan;
- (3) 30% of the contract price shall be paid to Guangdong Weiheng within 15 days upon completion of the Phase 2 Construction Work, subsequent cleaning of the building site and the evacuation of Guangdong Weiheng from the building site as verified by Zhongda Qingyuan;
- (4) up to 97% of the actual settlement price shall be paid to Guangdong Weiheng within 30 days after completion of the completion acceptance filing and settlement procedures of the Phase 2 Construction Work as verified by Zhongda Qingyuan; and

- (5) 3% of the actual settlement price will be retained by Zhongda Qingyuan as guarantee money for quality and is payable to Guangdong Weiheng within 15 working days after the expiration of two years from the completion acceptance of the project.

Application for construction permit:	Guangdong Weiheng shall submit all information necessary for obtaining the construction permit to the responsible construction department within 3 working days from the signing of the New Construction Agreement. If there is a delay for more than 5 working days for the aforesaid submission, Zhongda Qingyuan shall have the right to unilaterally terminate the New Construction Agreement by written notice to Guangdong Weiheng without any liability.
Construction period:	The Phase 2 Construction Work is expected to complete by 25 October 2022.
Condition:	The performance of the parties' obligations under the New Construction Agreement is conditional upon the passing of the relevant resolution(s) approving the New Construction Agreement and the transactions contemplated thereunder by the Shareholders in accordance with the requirements of the Listing Rules at the SGM.
Guarantee:	Guangdong Weiheng shall provide Zhongda Qingyuan with a performance guarantee in the amount of RMB9 million (equivalent to HK\$10.89 million) by way of a letter of guarantee issued by bank as security for its performance of the New Construction Agreement.
Termination:	The New Construction Agreement may be terminated at any time by mutual consent of the parties, or by reason of force majeure or by written notice of either party if there is any specified event of default by the other party.

In the event of a change in the construction design and planning which causes a change by more than 50% in the gross construction area as agreed under the New Construction Agreement, Zhongda Qingyuan shall have the right to invite third party contractor(s) and Guangdong Weiheng to provide quotation on the new construction costs and negotiate on the new contract price. Guangdong Weiheng shall have priority over other contractor(s) on the same terms and conditions.

In the event that Zhongda Qingyuan and Guangdong Weiheng are unable to agree on the new contract price within 45 days, either party shall have the right to unilaterally terminate the New Construction Agreement. In such event, the parties shall finalise the actual settlement price in respect of the work actually completed by Guangdong Weiheng within 30 days from the date a party receives the notice of termination from the terminating party. Within 15 working days from the date of finalisation of the actual settlement price:

- (1) Zhongda Qingyuan shall pay to Guangdong Weiheng 50% of such actual settlement price; and
- (2) Guangdong Weiheng shall complete the change of construction permit and other necessary procedures, whereupon the remaining 50% of the actual settlement price shall be paid by Zhongda Qingyuan within 10 working days thereafter.

REASONS FOR AND BENEFIT OF ENTERING INTO THE NEW CONSTRUCTION AGREEMENT

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

The Group plans to set up an industrial park on the Qingcheng Land with an array of industrial buildings, commercial buildings, apartments and dormitories. The buildings thereon were intended for lease or sales. The Qingcheng Land has a total site area of approximately 208,000 square metres and the total construction area of the industrial park will be approximately 416,000 square metres. The entire development of the Qingcheng Land is planned to be carried out in three to four phases.

The first phase development of the Qingcheng Land comprised the construction of a multi-storey industrial building with a gross construction area of approximately 22,000 square metres which is also undertaken by Guangdong Weiheng. The construction work in relation to the first phase development is still ongoing and is expected to complete by the end of this year.

As disclosed in the Company's announcement dated 13 September 2021, Zhongda Qingyuan engaged the Previous Contractor under the Previous Construction Agreement to provide construction services for the second phase development of the Qingcheng Land. However, as disclosed in the Company's announcement dated 22 October 2021, in view of the delay in submitting relevant information to the relevant PRC authorities for obtaining construction permits, the Previous Construction Agreement was terminated by mutual agreement of the parties with effect from 22 October 2021 so that another competent contractor may be engaged as soon as possible.

A tender procedure was carried out by Zhongda Qingyuan for the purpose of inviting qualified contractors to submit their fee proposals. Zhongda Qingyuan could then assess and select the most suitable contractor for the Phase 2 Construction Work. After comprehensively reviewing all relevant factors such as the contractors' qualifications, track record and the contract price offered by them, Zhongda Qingyuan has selected Guangdong Weiheng, which offered the lowest price among the other potential contractors participated in the tender and was lower than the contract price under the Previous Construction Agreement as Guangdong Weiheng is able to source construction materials at a more competitive price.

Having taken into account (1) the capability of Guangdong Weiheng in its performance of the May Transaction and the September Transaction; (2) that Guangdong Weiheng was ready to enter into the New Construction Agreement on substantially the same terms as the Previous Construction Agreement; (3) the terms and conditions offered by other contractors; and (4) the risk of delay to the development of the Qingcheng Land, the Directors consider that the entering into of the New Construction Agreement with Guangdong Weiheng is in line with the Group's business plan for the development of the Qingcheng Land and that the terms of the New Construction Agreement are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The New Construction Agreement involved the construction work for the second phase development of the Qingcheng Land. Subject to the approval of the relevant governmental authority in the PRC, the second phase development will comprise the construction of 19 industrial buildings and certain ancillary structures with a total gross construction area of approximately 118,000 square meters.

LISTING RULES IMPLICATIONS

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A circular containing, among other things, (i) details of the New Construction Agreement; (ii) a notice convening the SGM; and (iii) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 24 December 2021, which has been determined after taking into account the estimated time required for the Company to prepare the relevant information for inclusion in the circular.

DEFINITIONS

In this announcement, the following expressions 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
“Guangdong Weiheng”	廣東偉恒建築集團有限公司 (unofficial English translation being Guangdong Weiheng Construction Group Company Limited), formerly known as 廣東偉恒建築工程有限公司 (unofficial English translation being Guangdong Weiheng Construction Engineering Company Limited), a limited liability company established in the PRC

“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“May Transaction”	the engagement of Guangdong Weiheng in relation to the construction of a multi-storey industrial building on the Qingcheng Land under a construction agreement and its supplemental agreement both dated 28 May 2020 and entered into between Zhongda Qingyuan and Guangdong Weiheng, details of which have been set out in the announcement of the Company dated 28 May 2020
“New Construction Agreement”	the construction agreement dated 27 October 2021 and entered into between Zhongda Qingyuan and Guangdong Weiheng in relation to the Phase 2 Construction Work
“Phase 2 Construction Work”	the construction work to be carried out by Guangdong Weiheng on the Qingcheng Land pursuant to the New Construction Agreement, a summary of which are set out in the paragraph headed “Scope of services” in the section headed “The New Construction Agreement” in this announcement
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Previous Construction Agreement”	the construction agreement dated 13 September 2021 and entered into between Zhongda Qingyuan and the Previous Contractor in relation to the Phase 2 Construction Work which was terminated with effect from 22 October 2021
“Previous Contractor”	清遠市建明建築工程有限公司 (unofficial English translation being Qingyuan City Jianming Construction Engineering Company Limited), a limited liability company established in the PRC
“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
“September Transaction”	the engagement of Guangdong Weiheng in relation to the road and boundary wall construction works to be carried out on the Qingcheng Land under a construction agreement dated 25 September 2020 and entered into between Zhongda Qingyuan and Guangdong Weiheng, details of which have been set out in the announcement of the Company dated 25 September 2020
“SGM”	a special general meeting of the Company to be convened for the purposes of considering and, if thought fit, approving the New Construction Agreement and the transactions contemplated thereunder
“Shareholders”	holders of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Zhongda Qingyuan”

中大印刷(清遠)有限公司 (unofficial English translation being Zhongda Printing (Qingyuan) Company Limited), a wholly-owned subsidiary of the Company

In this announcement, for the purpose of illustration only, amounts quoted in RMB has been converted into HK\$ at the rate of RMB1 to HK\$1.21. Such exchange rates have been used, where applicable, for the purpose of illustration only and do 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, 27 October 2021

As at the date of this announcement, the Board comprises Mr. Suek Ka Lun, Ernie (Chairman) and Mr. Suek Chai Hong (Chief Executive Officer) being the executive Directors; Dr. Ng Wai Kwan, Mr. Chan Kwing Choi, Warren and Mr. Wong Sun Fat being the non-executive Directors; Mr. Lee Kwok Wan, Mr. Lai Sai Wo, Ricky and Mr. Chu Gun Pui being the independent non-executive Directors; and Mr. Lau Kam Cheong being the alternate Director to Dr. Ng Wai Kwan.