THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Neway Group Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser, the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

NEWAY GROUP HOLDINGS LIMITED

中星集團控股有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 00055)

(1) DISCLOSEABLE TRANSACTION AND VERY SUBSTANTIAL DISPOSAL – MANDATE FOR THE COMPULSORY ENFORCEMENT INVOLVING A POSSIBLE ACQUISITION AND A POSSIBLE DISPOSAL IN RELATION TO THE LAND AND (2) NOTICE OF SPECIAL GENERAL MEETING

A notice convening the SGM to be held at Unit 1103, Level 11, Tower II, Grand Century Place, 193 Prince Edward Road West, Mongkok, Kowloon, Hong Kong on Friday, 15 July 2022 at 10:30 a.m. is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete the proxy form in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 10:30 a.m. on Wednesday, 13 July 2022 or not later than 48 hours before the time appointed for holding any adjourned meeting or postponed meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM should you so wish and in such event, the proxy form previously submitted shall be deemed to be revoked.

Please see the section headed "PRECAUTIONARY MEASURES FOR THE SGM" in this circular for measures to be taken to try to prevent and control the spread of the COVID-19 pandemic at the SGM.

Subject to the development of the COVID-19 pandemic, the Company may be required to change the meeting arrangements for the SGM at short notice. Shareholders are advised to check the Company's website (http://www.newaygroup.com.hk) and the Stock Exchange's website (www.hkexnews.hk) for further announcement(s) and update(s) on such arrangements and/or further special measures to be taken.

24 June 2022

* *for identification purpose only*

In view of the ongoing COVID-19 pandemic and recent requirements for prevention and control of its spread, the Company will implement the following precautionary measures at the SGM.

Voting by proxy in advance of the SGM

The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their rights and to vote, but is conscious of the pressing need to protect the Shareholders from possible exposure to the COVID-19 pandemic. For the health and safety of the Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the SGM by appointing the chairman of the SGM as their proxy instead of attending the SGM in person. Physical attendance is not necessary for the purpose of exercising Shareholders' rights. Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the SGM or any adjournment or postponement thereof should they subsequently so wish.

Precautionary measures at the SGM

The Company will implement the following precautionary measures at the SGM to safeguard the health and safety of the attending Shareholders, staff and other stakeholders:

(i) Compulsory body temperature checks will be conducted on every attendee at the entrance of the SGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry and be asked to leave the SGM venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the SGM venue.

(ii) All attendees are required to complete and submit at the entrance of the SGM venue a declaration form confirming their names and contact details, and confirming that they have not travelled to, or had physical contact with any person who to their best of knowledge has recently travelled to, any affected countries or areas outside Hong Kong (as per guidelines issued by the Hong Kong Government at www.chp.gov.hk/en/features/102742.html) at any time in the preceding 14 days. Any attendee who does not comply with this requirement may be denied entry and be asked to leave the SGM venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the SGM venue.

(iii) Every attendee will be required to wear a surgical face mask throughout the SGM. Please note that no masks will be provided at the SGM venue and attendees should bring and wear their own masks. Any attendee who does not comply with this requirement may be denied entry and be asked to leave the SGM venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the SGM venue.

(iv) Seating at the SGM will be arranged so as to reduce interaction between participants.

(v) No refreshments will be served and there will be no corporate gifts.

The Company will closely monitor the development of the COVID-19 pandemic and any regulations or measures introduced or to be introduced by the Hong Kong Government in relation to the COVID-19 pandemic. The Company will ensure that the SGM will be conducted in compliance with the regulations or measures of the Hong Kong Government and Shareholders will not be deprived of their right of voting on the resolution to be proposed at the SGM.

CONTENTS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

"Auction"	the judicial auction conducted through the Online Auction Platform for the sale of the land use rights of the Land
"Board"	the board of Directors
"Ceiling"	RMB30,700,000 (equivalent to HK$36,226,000), being the maximum amount the Group's Potential Bidder will bid at the Auction
"Company"	Neway Group Holdings Limited, a company incorporated in Bermuda with limited liability and whose Shares are listed on the Main Board of the Stock Exchange
"Compulsory Enforcement"	the compulsory enforcement proceedings against Zhongqing Real Estate to put the Land for sale in the Auction
"Court Approved Valuer"	a PRC qualified professional valuer approved by the People's Court for the purpose of the Auction
"COVID-19"	an infectious disease caused by severe acute respiratory syndrome coronavirus 2
"Director(s)"	the director(s) of the Company
"Fanling Building"	the industrial building situated at No.11 Yip Cheong Street, On Lok Tsuen, Fanling, New Territories, Hong Kong
"Freeze Order"	the order granted by the People's Court to freeze and preserve the Land
"Group"	the Company and its subsidiaries
"Group's Potential Bidder"	清遠凱升房地產開發有限公司 (unofficial English translation being Qingyuan Kai Sheng Property Development Company Limited) (formerly known as 清遠市國宏易貿貿易有限公司), a wholly-owned subsidiary of the Company, or such other wholly-owned subsidiary of the Company which may be designated by the Company to participate as a bidder for the Land in the Auction
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Hong Kong Government"	the government of Hong Kong
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent Third Party(ies)"	third party(ies) independent of the Company and its connected persons (having the meaning ascribed to it under the Listing Rules)
"JV Partner"	清遠市凌雲發展有限公司 (unofficial English translation being Qingyuan Lingyun Development Co., Ltd.), a company established in the PRC with limited liability which holds 40% equity interest in Zhongqing Real Estate
"Land"	the two parcels of land located at Liantang Villagers Committee, Dongcheng Street, Qingcheng District, Qingyuan City, Guangdong Province, the PRC（中國廣東省清遠市清城區東城街道蓮塘村民委員會）
"Latest Practicable Date"	21 June 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Litigation"	the civil proceedings initiated by Zhongxing Guosheng against Zhongqing Real Estate in the People's Court for, among other matters, the repayment of the Shareholder's Loan
"Online Auction Platform"	the online platform as may be chosen by the People's Court on which the Auction may be conducted
"Peak Vision"	Peak Vision Appraisals Limited, an independent professional property valuer in Hong Kong
"People's Court"	深圳市寶安區人民法院 (unofficial English translation being the People's Court of Baoan District of Shenzhen)
"Possible Acquisition"	the possible acquisition of the Land by the Group's Potential Bidder in the Auction or the take over of the Land by Zhongxing Guosheng, as the applicant of the Compulsory Enforcement, for setting off against the Shareholder's Loan (as the case may be)

"Possible Disposal"	the possible disposal of the Land by Zhongqing Real Estate to the successful bidder (other than the Group's Potential Bidder) in the Auction
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Proposed Mandate"	the authorities proposed to be granted to the Directors in advance by the Shareholders at the SGM to apply for the Compulsory Enforcement
"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
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company convened to be held at 10:30 a.m. on Friday, 15 July 2022 at Unit 1103, Level 11, Tower II, Grand Century Place, 193 Prince Edward Road West, Mongkok, Kowloon, Hong Kong for the purposes of, among other matters, considering and, if thought fit, approving the Compulsory Enforcement and the grant of the Proposed Mandate, the notice of which is set out on pages SGM-1 to SGM-3 of this circular
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the issued Share(s)
"Shareholder's Loan"	the shareholder's loan owing to Zhongxing Guosheng by Zhongqing Real Estate in the principal amount of RMB23,479,330 (equivalent to approximately HK$27,705,609)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"U.S."	the United States of America
"Valuation Report"	the valuation report issued by Peak Vision in connection with the market value of the Land, the text of which is set out in Appendix III to this circular
"Zhongda Qingyuan"	中大印刷(清遠)有限公司 (unofficial English translation being Zhongda Printing (Qingyuan) Company Limited), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
"Zhongqing Real Estate"	清遠市中清房地產開發有限公司 (unofficial English translation being Qingyuan City Zhongqing Real Estate Development Co., Ltd.), a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company owned as to 60% by the Group through Zhongxing Guosheng
"Zhongxing Guosheng"	深圳市中星國盛投資發展有限公司 (unofficial English translation being Shenzhen Zhongxing Guosheng Investment Development Co., Ltd.), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
"%"	per cent.

In this circular, amounts quoted in RMB have been converted into HK$ at the rate of RMB1.00 to HK$1.18. 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.

NEWAY GROUP HOLDINGS LIMITED
中星集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00055)

Executive Directors:
Mr. SUEK Ka Lun, Ernie *(Chairman)*
Mr. SUEK Chai Hong *(Chief Executive Officer)*

Non-executive Directors:
Dr. NG Wai Kwan
Mr. CHAN Kwing Choi, Warren
Mr. WONG Sun Fat

Independent non-executive Directors:
Mr. LEE Kwok Wan
Mr. LAI Sai Wo, Ricky
Mr. CHU Gun Pui

Registered office:
Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

Principal place of business in Hong Kong:
Units Nos. 1103 and 1105-1111, Level 11,
Tower II, Grand Century Place,
193 Prince Edward Road West,
Mongkok, Kowloon,
Hong Kong

24 June 2022

To the Shareholders,

Dear Sir or Madam

DISCLOSEABLE TRANSACTION AND VERY SUBSTANTIAL DISPOSAL – MANDATE FOR THE COMPULSORY ENFORCEMENT INVOLVING A POSSIBLE ACQUISITION AND A POSSIBLE DISPOSAL IN RELATION TO THE LAND

1. INTRODUCTION

As disclosed in the announcement of the Company dated 11 March 2022, the Group intends to apply to the People's Court for the commencement of the Compulsory Enforcement to put the Land for sale in the Auction in order to settle the Shareholder's Loan. The Auction may result in the Possible Acquisition or the Possible Disposal depending on the result of the bidding at the Auction.

* *For identification purpose only*

The purpose of this circular is to provide you with (i) further details of the Compulsory Enforcement, the Possible Acquisition and the Possible Disposal; (ii) the financial and other information of the Group; (iii) the Valuation Report; (iv) other information as required to be disclosed under the Listing Rules; and (v) the notice of the SGM.

2. BACKGROUND

Reference is made to the announcements of the Company dated 18 July 2014, 18 August 2014, 25 September 2014 and 15 October 2014 in relation to the Litigation.

The Litigation was initiated by Zhongxing Guosheng, a wholly-owned subsidiary of the Company, against a 60%-owned subsidiary of the Company, namely Zhongqing Real Estate, for the repayment of the Shareholder's Loan. The Shareholder's Loan represented the aggregate amount advanced by or on behalf of Zhongxing Guosheng to Zhongqing Real Estate over the period from February 2011 to December 2013, mainly for financing the acquisition of the Land by Zhongqing Real Estate. It was agreed by Zhongxing Guosheng and Zhongqing Real Estate, among other things, that Zhongqing Real Estate should repay the Shareholder's Loan to Zhongxing Guosheng in three instalments, among which (i) RMB4 million should be repaid by 31 May 2014; (ii) RMB10 million should be repaid by 30 June 2014; and (iii) the balance of RMB9,479,330 should be repaid by 31 August 2014. It was further agreed that if Zhongqing Real Estate was able to repay the Shareholder's Loan according to the above schedule, the Shareholder's Loan would be interest-free. On the other hand, if Zhongqing Real Estate failed to repay the Shareholder's Loan on time, interest would be calculated based on the overdue repayment interest rate applicable to bank loan of the same period.

Zhongqing Real Estate failed to repay the first instalment of the Shareholder's Loan on 31 May 2014. Therefore, on 18 June 2014, Zhongxing Guosheng initiated the Litigation against Zhongqing Real Estate in the People's Court.

On 19 June 2014, pursuant to an application made by Zhongxing Guosheng to freeze and preserve the assets of Zhongqing Real Estate in the total value of RMB23,400,000, the Freeze Order was granted by the People's Court to freeze and preserve the Land for the period from 24 June 2014 to 23 June 2016 with an aim to ensure that Zhongqing Real Estate would have sufficient assets to repay the Shareholder's Loan.

Two hearing sessions of the Litigation were held on 18 August 2014 and 25 September 2014 respectively. On 30 September 2014, the People's Court issued a civil mediation document, which became effective on 15 October 2014, stating that: (i) the parties to the Litigation confirmed that Zhongqing Real Estate was indebted to Zhongxing Guosheng in the sum of RMB23,479,330; (ii) Zhongqing Real Estate agreed to repay to Zhongxing Guosheng within 15 days from the effective date of the mediation document (i.e. on or before 30 October 2014) a sum of RMB23,479,330, together with interests accrued from 18 June 2014 up to the actual date of repayment which was to be calculated based on the applicable lending rate of the People's Bank of China over the same period; and (iii) where Zhongqing Real Estate failed to repay the aforesaid agreed amount, Zhongxing Guosheng shall have right to request Zhongqing Real Estate to pay default interests calculated at two times of the applicable lending rate of the People's Bank of China over the same period. However, notwithstanding the issuance of the civil mediation document, Zhongqing Real Estate failed to repay the Shareholder's Loan and the relevant interest by the payment deadline specified above.

On 27 May 2016, Zhongxing Guosheng submitted an application to the People's Court for the extension of the period covered by the Freeze Order. The extended period covered by the Freeze Order was from 13 June 2016 to 12 June 2019. The period covered by the Freeze Order was further extended to 12 May 2022 by the People's Court on 15 May 2019 and was extended again to 12 May 2025 on 14 April 2022.

As at 31 December 2021, the outstanding principal and interests of the Shareholder's Loan calculated according to the civil mediation document amounted to RMB23,479,330 (equivalent to approximately HK$27,705,609) and approximately RMB17,045,608 (equivalent to approximately HK$20,113,817) (calculated based on the applicable lending rate of the People's Bank of China over the relevant period which ranged from 4.90% to 6.55% per annum) respectively. As at the Latest Practicable Date, the Shareholder's Loan has not yet been settled by Zhongqing Real Estate.

3. INFORMATION OF ZHONGQING REAL ESTATE AND THE LAND

Zhongqing Real Estate is a company established in the PRC with limited liability and is currently owned as to 60% by Zhongxing Guosheng and as to 40% by the JV Partner which is a property developer in Qingyuan City, the PRC and which had completed two property development projects with a total gross floor area of approximately 90,000 square metres before 2014. The ultimate beneficial owners of the JV Partner are Xue Weibo and Xue Jiecheng.

The principal business activity of Zhongqing Real Estate was intended to be property development and management. The Land was acquired by Zhongqing Real Estate in 2011 and comprises two parcels of land located at Liantang Villagers Committee, Dongcheng Street, Qingcheng District, Qingyuan City, Guangdong Province, the PRC（中國廣東省清遠市清城區東城街道蓮塘村民委員會）with an aggregate registered site area of approximately 5,853.4 square metres. Zhongxing Guosheng and the JV Partner had conducted market study for the purpose of determining the intended nature of development and usage of the Land. However, no decision was concluded at that time for the reason that the surrounding area of the Land was then still under development while the Land was a bare land with no construction thereon, and both parties would like to have more time to gather information about the property market and the local government policies for the development of Qingyuan City. Hence, the discussion on the development of the Land was put on hold.

The development of the Land was further postponed when in 2014, it came to the knowledge of the Group that the JV Partner was in financial difficulty and was not able to contribute to the funding of the construction or development work on the Land. Upon further enquiries of the Group, the JV Partner was found to be involved in a number of civil proceedings relating to financial disputes. The management of the Group reckoned that the adverse financial position of the JV Partner would hinder the development of Zhongqing Real Estate as well as the Land. This prompted the Group to commence the Litigation in 2014 and obtained the Freeze Order over the Land, which was the only principal asset of Zhongqing Real Estate and the only possible source of fund for repaying the Shareholder's Loan.

In the years following 2014, the Group has been trying to resolve the problems concerning the cooperation with the JV Partner in Zhongqing Real Estate and the repayment of the Shareholder's Loan. However, the financial condition of the JV Partner did not improve and in 2018, its equity interest in Zhongqing Real Estate was freezed by one of its creditors. As such, it has been impossible for the Group to buy out the equity interest held by the JV Partner in Zhongqing Real Estate.

For the reasons set out above and due to the material adverse change in the financial condition of the JV Partner since 2014, Zhongqing Real Estate has remained dormant and has not commenced any business activities since the acquisition by the Group.

As at the Latest Practicable Date, the principal asset of Zhongqing Real Estate was the Land which remained vacant. No revenue or profit has been generated from the Land in the past years.

The book value of the Land is recorded under the item "properties under development for sale" in the consolidated financial statements of the Company. The audited carrying amount of the Land as at 31 December 2021 is approximately HK$42.2 million ("**Audited NBV of the Land**") which is stated at cost which comprises the land use rights and development costs capitalised.

The Group has engaged Peak Vision, an independent professional property valuer in Hong Kong, to conduct a valuation on the Land. Due to the current restriction on the transferability of the Land as a result of the Freeze Order, no commercial value was attributed to the Land by Peak Vision as at 30 April 2022. Notwithstanding this, for reference purpose only and on the special assumption that the Land had valid and enforceable title which was freely transferable, and there was free and uninterrupted rights to use the Land, the Land was valued at RMB38,000,000 (equivalent to HK$44,840,000) as at 30 April 2022 ("**Referenced Value**") by Peak Vision by using the direct comparison method of valuation. The Referenced Value does not take into account of any tax payable in connection with the purchase of the Land.

The reconciliation of the Audited NBV of the Land as at 31 December 2021 to the Referenced Value as at 30 April 2022 is set out below:

	The Group (audited) *HK$*
Audited NBV of the Land as at 31 December 2021	**42,201,076**
Add: Net revaluation surplus	2,638,924
Referenced Value of the Land as at 30 April 2022 (i.e. RMB38,000,000)	**44,840,000**

4. COMPULSORY ENFORCEMENT AND THE AUCTION

The Group intends to apply to the People's Court for the commencement of the Compulsory Enforcement to put the Land for sale in the Auction in order to settle the Shareholder's Loan. According to the relevant PRC laws and regulations, the Auction will be conducted as a judicial auction through the Online Auction Platform as decided by the People's Court. The Auction will be open to the public and the public will be able to see whether there are competing bidders and the price offered by the bidders in real time on the Online Auction Platform.

The procedures and timeline for the Compulsory Enforcement up to the commencement of the Auction are broadly set out below but the actual timeline will be subject to various factors such as the case workload of the People's Court and the development of the COVID-19 pandemic which may affect the operation of court proceedings:

Day 1	To submit application to the People's Court to commence the Compulsory Enforcement against Zhongqing Real Estate to put the Land for sale in the Auction.
2 to 3 weeks	The People's Court to process the application.
2 to 3 weeks	To select the Court Approved Valuer from a pool of qualified valuers approved by the People's Court by lot.
2 to 3 weeks	The Court Approved Valuer to prepare the valuation of the Land.
1 to 2 weeks	The People's Court to issue ruling to commence the Auction process.
2 to 3 weeks	– To serve the ruling of the People's Court to the relevant parties. – To prepare for the commencement of the Auction on the Online Auction Platform, including: – the fixing of the initial bid price of the Land by the People's Court; – the selection of the Online Auction Platform by the People's Court; and – the publication of the auction announcement on the Online Platform to notify the public of the details of the Auction (including the commencement and expiry time of the Auction, the initial bid price, and amount of security money required etc.).

The initial bid price of the Auction will be determined by the People's Court with reference to the valuation of the Land conducted by the Court Approved Valuer or with reference to the market value of the Land. According to the relevant PRC laws and regulations, the initial bid price determined by the People's Court must not be lower than 70% of the appraised value or the market value of the Land. Assuming that the appraised value of the Land according to the valuation conducted by the Court Approved Valuer is the same as the Referenced Value, the initial bid price of the Auction will at least be RMB26,600,000 (equivalent to HK$31,388,000).

However, Shareholders should note that there is a possibility that the appraised value of the Land as assessed by the Court Approved Valuer may be substantially different from the Referenced Value due to the lapse of time between the record dates adopted for the two valuations and other factors including but not limited to the then prevailing economic condition, any control measures which may be implemented by the PRC government on the property market in the PRC, and the sale prices of the comparable properties in the PRC. After the initial bid price and other details of the Auction are determined by the People's Court, the Company will issue an update announcement as soon as possible to keep the Shareholders informed.

The first round of Auction will be held on the date and time specified in the auction announcement to be published on the Online Auction Platform. In view of the potential development value of the Land as detailed in the section headed "Reasons for and Benefits of the Compulsory Enforcement" below, the Group is interested in acquiring the Land either (i) through the Group's Potential Bidder by bidding in the Auction (in the case when there is/are other competing bidder(s) in the Auction); or (ii) through Zhongxing Guosheng, as the applicant of the Compulsory Enforcement, by exercising its legal right to take over the Land if the Auction lapses.

If there is/are competing bidder(s) which submit(s) offer in the first round of Auction, the Group's Potential Bidder will participate in the Auction and bid with the competing bidder(s) until the bidding price reaches the Ceiling. The bidder who offers the highest price will win the Auction. If the competing bidder offers a price higher than the Ceiling, Zhongqing Real Estate, which is a non-wholly owned subsidiary of the Company, will then be obliged to sell the Land to such winning bidder and the sale will constitute a disposal transaction of the Group.

On the other hand, in the event that there is no competing bidder in the first round of Auction, the Group's Potential Bidder will not offer any price at the Auction and the first round of Auction will lapse for absence of bidder. Then a second Auction will be held within 30 days from the lapse of the first Auction. In the second Auction, the initial bid price for the Land will be decreased by not more than 20% of the initial bid price in the first Auction. As such, it is expected that the initial bid price in the second round of Auction will be lower than that in the first round of Auction. Hence, if there is no competing bidder in the first Auction, it is the intention of the management that the Group should wait until the second round of Auction in order to minimise the acquisition cost of the Group.

Same as in the first round of Auction, if there is/are competing bidder(s) in the second round of Auction, the Group's Potential Bidder will bid up to the Ceiling, or if the second Auction also lapses for absence of bidder, Zhongxing Guosheng as the applicant of the Compulsory Enforcement will have the right to take over the Land to set off against the Shareholder's Loan and the interest accrued with the amount equivalent to the initial bid price prevailing at the second Auction.

As it is currently unknown as to whether there will be any competing bidder(s) in the Auction and the price(s) offered by the competing bidder(s) cannot be ascertained at this stage, the Auction may result in an acquisition or disposal transaction for the Company depending on the circumstances.

5. THE POSSIBLE ACQUISITION

If the Group's Potential Bidder succeeds in the Auction or Zhongxing Guosheng takes over the Land if the Auction lapses, the Land will be transferred from Zhongqing Real Estate (being a 60% non-wholly owned subsidiary of the Company which is not a connected subsidiary (as defined in the Listing Rules) of the Company) to the Group's Potential Bidder or Zhongxing Guosheng (as the case may be), both being wholly-owned subsidiaries of the Company. In other words, the transaction will involve a disposal of the Land by a 60%-owned subsidiary of the Company and an acquisition of the same by a wholly-owned subsidiary of the Company. The net effect to the Group as a whole is an increase of 40% interest in the Land.

As the financial information of Zhongqing Real Estate has already been consolidated into that of the Group, the transfer of the Land from Zhongqing Real Estate to the Group's Potential Bidder or Zhongxing Guosheng will have no financial impact on the Group as a whole, except that the total assets of the Group will increase by reason of the capitalisation of taxes associated with the Auction. No gain or loss will be recorded by the Group as a result of the Possible Acquisition through the Group's Potential Bidder or Zhongxing Guosheng.

Ceiling for the bid

The Ceiling which the Group's Potential Bidder is prepared to bid at the Auction when there is/are competing bidder(s) is RMB30,700,000 (equivalent to HK$36,226,000).

As disclosed in the section headed "Reasons for and benefits of the Compulsory Enforcement" below, the Group plans to participate in the Auction as it wishes to develop the Land for construction of residential units with retail shops and car parks.

The cost of a property development project mainly consists of (i) land acquisition cost (i.e. land price and related tax expenses); (ii) pre-construction cost; (iii) construction cost; (iv) selling and administration expenses; and (v) interest expenses (if any). The profit of a property development project will be largely the selling price of the properties in excess of the total property development cost.

In respect of the related tax expenses of the Land, it should be noted that in a judicial auction which is the case of the Auction, the winning bidder will have to bear the relevant PRC tax (which, in a normal sale and purchase of land, will be borne by the vendor of the land), such as land appreciation tax and value added tax.

Like all other property developers, as substantial capital and time have to be invested in a property development project, the Group has to set a minimum investment return (which is now set at 18% in 2.5 years) for a property development project. Based on the feasibility study conducted by the Group, in order to meet such minimum investment return, (i) the land price for the Land cannot be higher than RMB30,700,000 (which is the Ceiling for the bid), (ii) the estimated construction costs based on market information publicly available is ranging from RMB2,550 to RMB2,650 per square metre; and (iii) the estimated selling price of the properties to be constructed ranges from RMB6,300 to RMB6,500 per square metre.

The Referenced Value does not take into account of any PRC tax payable which is expected to be approximately RMB7 million. If the Ceiling was set at an amount equivalent to the Referenced Value or any other amount higher than the current amount of RMB30,700,000 (equivalent to HK$36,226,000), it will inevitably lead to a decrease in the investment return rate of the Group which may prejudice the interest of the Company and the Shareholders as a whole.

Having considered the above, the Directors consider that the Ceiling is fair and reasonable.

Shareholders should note that the final bid price for the Land to be submitted by the Group's Potential Bidder will depend on, among others, the Group's view on the prospect of the property market on the date of the Auction as well as the bid prices submitted by other competing bidder(s) (if any) at the Auction, but in any event will not exceed the Ceiling. When there is/are competing bidder(s) in the Auction, the Group's Potential Bidder will exercise its discretion as to the appropriate bid price to be submitted at the Auction, taking into account the bid price(s) submitted by other competing bidder(s) such that the Group's Potential Bidder can succeed in the Auction with the lowest possible acquisition cost.

If the initial bid price determined by the People's Court is higher than the Ceiling and there is no other bidder, the Group's Potential Bidder will not participate in the Auction and thus the Auction will lapse. In the event that both rounds of the Auction lapse, it is expected that Zhongxing Guosheng will take over the Land, as the applicant of the Compulsory Enforcement, to set off against the Shareholder's Loan and the interest accrued with the amount equivalent to the initial bid price prevailing at the second Auction.

As the outstanding amount of the Shareholder's loan and the interest accrued up to 31 December 2021 has already amounted to RMB40,524,938 (equivalent to approximately HK$47,819,427), which is higher than the Ceiling, it is expected that the Possible Acquisition will only result in a partial set-off of the Shareholder's Loan and its accrued interest. Although Zhongxing Guosheng will still be entitled to claim for the balance of the Shareholder's Loan and interest accrued which remains outstanding after the Possible Acquisition, it is believed that the possibility of the successful recovery of such outstanding balance is low as Zhongqing Real Estate does not have any other source of fund to repay the balance. Notwithstanding the above, the Board still considers it beneficial to proceed with the Compulsory Enforcement as it is the only practicable means to resolve the matter in respect of the Shareholder's Loan.

Source of funding for the Possible Acquisition

If the Group's Potential Bidder wins the Auction, it is currently expected that the payment for the Possible Acquisition will be financed by the Group's internal resources.

6. THE POSSIBLE DISPOSAL

In the event that a bidder other than the Group's Potential Bidder offers a price higher than the Ceiling, Zhongqing Real Estate, which is a non-wholly owned subsidiary of the Company, will then be obliged to sell the Land to the bidder who offers the highest price in the Auction and the sale will constitute a disposal transaction of the Group.

The identity of the bidder who will offer the highest price in the Auction cannot be ascertained as at the Latest Practicable Date. Other than the Group's Potential Bidder which is a wholly-owned subsidiary of the Company, it is expected that each of the other bidder(s) who may participate in the Auction and its ultimate beneficial owner(s) will be an Independent Third Party. The Company has received irrevocable undertakings signed by each of the Directors and the substantial Shareholder in which each of them has undertaken not to, and will procure each of his/its associates (as defined in the Listing Rules) not to, participate or place any bid in the Auction directly or indirectly or in any way whatsoever. The Company will make further announcement to disclose the identity of the winning bidder and its ultimate beneficial owner(s) in the event the Possible Disposal materialises.

Although in the case of the Possible Disposal, the final bid price offered by the winning bidder cannot be ascertained at this stage, it will in any event be higher than the Ceiling as the Group's Potential Bidder is prepared to participate in the Auction and bid up to the Ceiling for the Land. Therefore, the Land will only be sold to other bidder at a final bid price which is higher than the Ceiling.

The final bid price offered by the winning bidder cannot be ascertained at this stage and it may or may not be higher than the Referenced Value. The Auction, which takes the form of a judicial auction, is a transparent and open process guided by the People's Court. The initial bid price of the Land as well as the rules and conditions of the Auction will be determined in accordance with the PRC laws. According to the relevant PRC laws, the People's Court is empowered to determine the initial bid price at a discount of not more than 30% to the appraised value assessed by the Court Approved Valuer or the market value of the Land and the bidder who offers the highest price above the initial bid price (regardless of whether such highest price offered is higher than the appraised value assessed by the Court Approved Valuer or the market value of the Land) will win the Auction. In other words, in the case of a Possible Disposal, the disposal price of the Land will be subject to the above legal mechanism as an inherent nature of an auction, and the Group will have no discretion as to the disposal price. Having said the above, given that the final bid price will result from an open Auction in which all qualified bidders are free to participate in the bidding, the Directors are of the view that the final bid price will be fair and reasonable.

As the final bid price offered by the winning bidder is currently unknown, there is a possibility that the final bid price is not sufficient to repay the Shareholder's Loan and the accrued interest in full. Same as disclosed in the section headed "The Possible Acquisition" above, although Zhongxing Guosheng will still be entitled to claim for the balance of the Shareholder's Loan and interest accrued which remains outstanding after the Possible Disposal, it is believed that the possibility of the successful recovery of such outstanding balance is low as Zhongqing Real Estate does not have any other source of fund to repay the balance. Notwithstanding the above, the Board still considers it beneficial to proceed with the Compulsory Enforcement as it is the only practicable means to resolve the matter in respect of the Shareholder's Loan.

Although, as explained above, there will not be any scenario that the Land will be sold to other bidder at a price equivalent to or lower than the Ceiling, solely for illustration purpose and assuming that the final bid price offered by the winning bidder is equivalent to the Ceiling, it is expected that the Group will record a loss of approximately HK$5.97 million, being the difference between the final bid price (which is assumed to be equivalent to the Ceiling) and the Audited NBV of the Land as at 31 December 2021. The actual gain or loss which may result from the Possible Disposal will depend on the final bid price and will be subject to audit. The Company will make further announcement as and when appropriate when the result of the Auction and the final bid price is available.

7. USE OF SALE PROCEEDS

Once the winning bidder is confirmed, the security money paid by the winning bidder before the Auction will be deposited into an account designated by the People's Court as partial payment of the final bid price and the remaining balance of the final bid price will be paid by the winning bidder into the aforesaid designated account within the specified period as set out in the relevant auction announcement. The sale proceeds of the Land in such designated account of the People's Court will be applied by the People's Court to repay or set off the outstanding Shareholder's Loan and the interest accrued thereon after deduction of the priority creditors' claims (if any) and the expenses relating to the Compulsory Enforcement. The remaining balance (if any) of the sale proceeds will be paid to Zhongqing Real Estate and therefore will remain within the Group as Zhongqing Real Estate is a non-wholly owned subsidiary of the Company. It normally will take around 2-3 weeks to complete the aforesaid settlement procedures.

If the Possible Acquisition materialises, the sale proceeds to be received by Zhongqing Real Estate will be originated from the internal resources of the Group and no additional funds will be generated to the Group.

If the Possible Disposal materialises, the sale proceeds will be paid by the winning bidder (other than the Group's Potential Bidder) and hence will represent additional funds to the Group. It is expected that such additional funds will be used as to approximately 80% for the construction of industrial buildings for another property development project of the Group in Qingcheng District of Qingyuan City or investment in other property project(s) and as to approximately 20% for the Group's general working capital.

8. REASONS FOR AND BENEFITS OF THE COMPULSORY ENFORCEMENT

As disclosed above, Zhongqing Real Estate defaulted in the repayment of the Shareholder's Loan. Zhongqing Real Estate has not commenced business and has not generated any income since its establishment. The Shareholder's Loan and the loan contributed by the JV Partner to Zhongqing Real Estate in the principal sum of RMB21,000,000 had mainly been applied to finance the acquisition of the Land by Zhongqing Real Estate. As such, Zhongqing Real Estate did not have sufficient cash flow to repay the Shareholder's Loan.

Notwithstanding that Zhongxing Guosheng has a majority control in Zhongqing Real Estate holding 60% of its equity interest, Zhongxing Guosheng could not alone resolve to dispose of the Land (which is the only principal asset of Zhongqing Real Estate). As advised by the Group's PRC counsel, although the PRC Company Law does not expressly stipulate that a transfer of the principal asset of a company requires a percentage higher than a simple majority of shareholders' approval, there is PRC court case which iterates that a transfer of a principal asset of a company is considered as a significant activity of a company that will affect the core structure of the company and will have a profound impact on its shareholders' interests, and should therefore be resolved by the highest authority of a company, being the shareholders in general meeting. In addition, there is also PRC court case in which the judge considered that a transfer of principal asset by a company should be treated in the same way as a merger and separation of companies and therefore should require the same level of approval from the shareholders, namely two-third of the total voting rights as stipulated under the PRC Company Law.

Besides, given that Zhongqing Real Estate was also indebted to the JV Partner in the sum of RMB21,000,000, it was considered more beneficial for Zhongxing Guosheng to pursue the Compulsory Enforcement rather than trying to reach a consensus with the JV Partner to dispose of the Land. Barring any unforeseen circumstances or any interrupting winding up proceedings which may be brought by the JV Partner, which is the only other creditor of Zhongqing Real Estate, Zhongxing Guosheng, as the applicant for the Compulsory Enforcement, will have priority in recovering the Shareholder's Loan out of the sale proceeds of the Land in the Auction. On the other hand, Zhongxing Guosheng can only recover the Shareholder's Loan proportionately with the JV Partner in a disposal of the Land initiated by themselves.

Over the years, the Board has from time to time considered the possibility of and the suitable timing for commencing the Compulsory Enforcement. The Board has taken into consideration various factors which include, but not limited to, the possibility of any improvement in the financial condition of the JV Partner, the government's development plan in Qingyuan City, the development costs of the Land and the potential rate of investment return after development, the professional expertise and financial resources of the Group, and the global economic condition etc..

In 2018, the property market was at boom and the Group had once taken steps to try carrying out the Compulsory Enforcement. However, after considering the potential rate of investment return having taken into account the amount of PRC taxes which might be payable by the Group if the Possible Acquisition materialises, the Board eventually decided to put this on hold until another suitable opportunity arose.

As at the Latest Practicable Date, the Shareholder's Loan has remained outstanding for almost eight years. The management of the Group has assessed 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 now a suitable time to commence the Compulsory Enforcement for the following reasons:

(1) Recent development projects in Qingyuan City

The Land is located in Dongcheng in the city centre of Qingyuan which is the intersection of the new and old development areas in Qingyuan City. The surrounding areas of the Land have been developed as a residential zone in recent years. Guangdong Provincial Vocational and Technical Education Demonstration Base (廣東省省級職業技術教育示範基地) ("**Education Demonstration Base**") has been established and is around 1 kilometre from the Land. The number of students of the Education Demonstration Base has reached approximately 120,000 in the year 2021 and it is expected to increase to 250,000 in the year of 2025 according to the government's plan. With the establishment of the Education Demonstration Base, it is expected that the demand for commercial and residential units will increase simultaneously.

With the completion and launch into operation of the Shantou-Zhanjiang Expressway and Guangzhou-Qingyuan Intercity Railway which passes through Qingyuan City in 2020, the northern session of Guangzhou-Qingyuan Intercity Railway has been further extended by approximately 3 kilometres running from the Education Demonstration Base and the Qingxin District, and two stations are set up within 3 kilometres from the Land. Furthermore, the government of Qingyuan City has been actively promoting tourism in the city and is constructing the Qingyuan Tourist Avenue (清遠旅遊大道) ("**Avenue**"). The Avenue is around 1 kilometre from the Land and will connect the major tourist attractions of adjacent areas and will further boost the tourism in the city. All of these factors above will attract more people to live or invest in Qingyuan City in the coming years.

The above development in Qingyuan City in recent years has increased the confidence of the Group in the potential development value of the Land.

(2) The Group's professional expertise and financial resources

In recent years, the Group has increased its effort in recruiting more professionals with qualifications and/or experience in property development business in the PRC. As at the Latest Practicable Date, the Group had a total of 23 employees in its property business segment including construction engineers, hydroelectric engineers and personnel with expertise in real estate audit, property sales and marketing. These employees will play an important role for the development of the Land.

In addition, the Group is currently looking for contractor to provide services and funding for the construction and marketing of the properties to be constructed on the Land. Such contractor is expected to pay the initial construction costs of the properties and will only recover such construction costs from the sale proceeds of the properties constructed on the Land. Such arrangement will ease the financial burden of the Group in the development of the Land.

Apart from the above, the Group also intends to use part of the proceeds from the sale of buildings currently under construction from another property development project of the Group in Qingcheng District of Qingyuan City to fund the development of the Land. For details of such property development project, please refer to the announcements of the Company dated 28 May 2020, 25 September 2020 and 27 October 2021 and the circular of the Company dated 17 December 2021.

(3) Global economic condition

The trade dispute between the PRC and the U.S. in 2019 and the emerging of COVID-19 since 2020 have brought material adverse impact and uncertainties on the global economy and the economic activities in the PRC have also been slowed down. Amidst those uncertainties in the past few years, the Group adopted a more conservative approach in investing in new development projects and therefore did not take any action regarding the Freeze Order. Having said the above, although COVID-19 is still persistent, the global economy has adapted to this as the new normal and economic activities, especially those in the PRC, have gradually resumed and are expected to grow further.

In view of the reasons above, the Board considers it beneficial and in the interest of the Group and the Shareholders as a whole to pursue the Compulsory Enforcement now.

If the Possible Acquisition materialises, the management of the Group intends to seize the opportunities and develop the Land for the construction of residential buildings with retail shops and car parks. The size of the residential units is expected to range from 70 square metres to 120 square metres and the total gross floor area of the residential units is expected to be approximately 17,000 square metres. The total gross floor area of the commercial areas and car parks is expected to be approximately 1,600 square metres. As at the Latest Practicable Date, the Board did not foresee any legal obstacles in developing the Land.

Through the Possible Acquisition, the Shareholder's Loan and the interest accrued will be partially settled and, more importantly, the Company will be able to gain 100% interest and control in the Land through the Group's Potential Bidder or Zhongxing Guosheng. This will facilitate the making of decisions regarding the future development of the Land and the Company will enjoy the economic return from the development of the Land to the fullest extent.

On the other hand, in the event that the Land is sold to the winning bidder (other than the Group's Potential Bidder) in the Auction and ends up with the Possible Disposal, the Group will get new funds from the sale proceeds of the Land from the winning bidder which is also considered by the Board to be beneficial to the Group for the further expansion of its business. Even though the Possible Disposal might result in an expected loss to the Group in the case where the final bid price offered by the winning bidder is lower than the Audited NBV of the Land, the Board still considers it beneficial to proceed with the Possible Disposal as it is the only possible means to get the Shareholder's Loan settled, in whole or in part, and at the same time resolve the deadlock pertaining to the Land as further delay to the development of the Land may lead to uncertainties such as possible penalties imposed by the relevant PRC authorities and/or increase in development costs.

Having considered the above factors, the Board considers that it is fair and reasonable and in the interest of the Company and the Shareholders as a whole to apply for the Compulsory Enforcement with a view to resolve the matter.

9. INFORMATION OF THE GROUP

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 and other products. The Group's Potential Bidder is intended to be principally engaged in property development and management. Zhongxing Guosheng is principally engaged in investment holding.

10. IMPLICATIONS UNDER THE LISTING RULES

The Possible Acquisition will involve a disposal of the Land by a 60%-owned subsidiary of the Company and an acquisition of the same by a wholly-owned subsidiary of the Company. Based on the net acquisition effect of the Group's interest in the Land (i.e. 40% of the interest in the Land), the highest applicable percentage ratio under the Listing Rules in respect of the Possible Acquisition exceeds 5% but is less than 25%. Therefore, the Possible Acquisition, if materialises, will constitute a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

If a bidder other than the Group's Potential Bidder wins the Auction, the Group will become unconditionally obliged to sell the Land to such successful bidder. As the Group is unable to ascertain the possible highest price which may be offered by the successful bidder, the Possible Disposal is classified as a very substantial disposal of the Company and is therefore subject to the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. Given that the obligation to sell will be unconditional, the Company proposes to seek the Shareholders' advance approval for the Compulsory Enforcement and the grant of the Proposed Mandate to the Directors.

Subject to the passing of the relevant resolution at the SGM, the Proposed Mandate shall be valid for 3 months from the date of passing of such resolution.

11. SGM

The SGM will be held at Unit 1103, Level 11, Tower II, Grand Century Place, 193 Prince Edward Road West, Mongkok, Kowloon, Hong Kong on Friday, 15 July 2022 at 10:30 a.m. for the purposes of, among other matters, considering and, if thought fit, approving the Compulsory Enforcement and the grant of the Proposed Mandate to the Directors. The notice of the SGM is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete the proxy form in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 10:30 a.m. on Wednesday, 13 July 2022 or not later than 48 hours before the time appointed for holding any adjourned meeting or postponed meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM should you so wish and in such event, the proxy form previously submitted shall be deemed to be revoked.

In accordance with the Listing Rules, the resolution will be voted on by way of poll at the SGM.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the Compulsory Enforcement and therefore no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM in respect of the Compulsory Enforcement and the grant of the Proposed Mandate to the Directors.

12. CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the Shareholders entitled to attend and vote at the SGM, the register of members of the Company will be closed for registration of transfers of Shares from Tuesday, 12 July 2022 to Friday, 15 July 2022, both dates inclusive. In order to be entitled to attend and vote at the SGM, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 11 July 2022.

13. RECOMMENDATION

The Directors are of the view that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole to apply for the Compulsory Enforcement with a view to resolve the matter. Accordingly, the Directors recommend all Shareholders to vote in favour of the resolution to be proposed at the SGM.

14. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information as set out in the appendices to this circular.

On behalf of the Board
NEWAY GROUP HOLDINGS LIMITED
Suek Ka Lun, Ernie
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Details of the audited consolidated financial statements of the Group for the years ended 31 December 2019, 2020 and 2021 are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (http://www.newaygroup.com.hk):

(i) the audited consolidated financial information of the Group for the year ended 31 December 2021 is disclosed in the annual report of the Company for the year ended 31 December 2021 published on 27 April 2022, from pages 136 to 305 (https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042701483.pdf);

(ii) the audited consolidated financial information of the Group for the year ended 31 December 2020 is disclosed in the annual report of the Company for the year ended 31 December 2020 published on 29 April 2021, from pages 124 to 301 (https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042902491.pdf); and

(iii) the audited consolidated financial information of the Group for the year ended 31 December 2019 is disclosed in the annual report of the Company for the year ended 31 December 2019 published on 28 April 2020, from pages 118 to 297 (https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042801478.pdf).

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 April 2022, being the latest practicable date for the purpose of ascertaining this indebtedness statement prior to the printing of this circular, the Group had aggregate outstanding borrowings of approximately HK$110.6 million comprising (i) secured and guaranteed bank borrowings of approximately HK$92.7 million, which were secured by the Group's land and properties situated in Hong Kong and the PRC and guaranteed by the Company and certain subsidiaries of the Company; (ii) unsecured and unguaranteed amount due to a related company of approximately HK$209,000; and (iii) unsecured and unguaranteed amount due to a non-controlling shareholder of a subsidiary of the Company of approximately HK$17.7 million.

As at 30 April 2022, the Group had outstanding lease payments in respect of leasehold land and buildings and motor vehicle of approximately HK$53.4 million comprising (i) secured and unguaranteed lease payments of approximately HK$18.0 million, which were secured by rental deposits paid by the Group and motor vehicle; and (ii) unsecured and unguaranteed lease payments of approximately HK$35.4 million.

Save as disclosed above and apart from intra-group liabilities, the Group did not have any debentures or debt securities issued and outstanding or authorised or otherwise created but unissued, or any other term loans or any other borrowings or other similar indebtedness, bank overdrafts, liabilities under acceptances or acceptance credits, finance lease or hire purchase commitments, mortgages, charges, material contingent liabilities or guarantees as at 30 April 2022.

3. SUFFICIENCY OF WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present financial resources available to the Group including but not limited to revenue generated by its principal businesses, cash and cash equivalents on hand and the facilities currently available, the working capital available to the Group is sufficient for the Group's requirements for at least 12 months from the date of publication of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. EFFECTS OF THE POSSIBLE ACQUISITION AND THE POSSIBLE DISPOSAL ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

As at 31 December 2021, the audited consolidated total assets and total liabilities of the Group amounted to approximately HK$1,156.30 million and HK$324.25 million respectively.

As disclosed in the "Letter from the Board" in this circular, the Possible Acquisition will involve a disposal of the Land by one subsidiary of the Company and an acquisition of the same by another subsidiary of the Company. As the financial information of Zhongqing Real Estate has already been consolidated into that of the Group, the transfer of the Land from Zhongqing Real Estate to the Group's Potential Bidder or Zhongxing Guosheng will have no financial impact on the Group as a whole, except that the total assets of the Group will increase by reason of the capitalisation of taxes associated with the Auction, such as land appreciation tax and value added tax. No gain or loss will be recorded by the Group as a result of the Possible Acquisition through the Group's Potential Bidder or Zhongxing Guosheng.

On the other hand, in the case of the Possible Disposal where the Land is sold to the winning bidder (other than the Group's Potential Bidder), the final bid price for the Land cannot be ascertained at this stage. Assuming that the Possible Disposal materialises and that it had taken place on 31 December 2021 and assuming that the final bid price offered by the winning bidder is equivalent to the Ceiling, it is expected that (i) the audited consolidated total assets of the Group would have decreased to approximately HK$1,150.3 million; and (ii) there will be no financial impact on the audited consolidated total liabilities of the Group; and (iii) the Group will record a loss of approximately HK$5.97 million, being the difference between the final bid price (which is assumed to be equivalent to the Ceiling) and the Audited NBV of the Land as at 31 December 2021.

6. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Looking forward to the year ending 31 December 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

The manufacturing and sales business of printing products will continue to see all sorts of challenges and opportunities. 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.

Music and Entertainment Business

In year 2019, the Group was contracted to produce a famous overseas talent show by working with independent parties to film the show in the Greater Bay Area of the PRC. The production of the show was delayed due to COVID-19 and the Group and its partners expect to resume the production and more promotional activities of the show 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 set out in the "Letter from the Board" in this circular, the Group intends to apply to the People's Court for the commencement of the Compulsory Enforcement to put the Land held by Zhongqing Real Estate in Qingyuan for sale through the Auction. If the Shareholders' approval is obtained and the Group's Potential Bidder succeeds in the Auction or Zhongxing Guosheng takes over the Land if both rounds of the Auction lapse, the Group plans to develop the Land for the construction of residential buildings with retail shops and car parks. The size of the residential units is expected to range from 70 square metres to 120 square metres and the total gross floor area of the residential units is expected to be approximately 17,000 square metres. The total gross floor area of the commercial areas and car parks is expected to be approximately 1,600 square metres. However, the Land may also be successfully bid by other Independent Third Party and the Land will be disposed of accordingly.

The Group, through Zhongda Qingyuan, planned to build 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 plan was approved by the Guangdong Qingyuan High-tech Industrial Development Zone Management Committee Office in March 2020 and was highly supported by the Qingyuan government. The construction work of the first industrial building commenced in July 2020. The construction work of phase I of the industry parks held by Zhongda Qingyuan is expected to complete 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 was opened in April 2022, which delivers 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 Qingyuan City. The Group has worked with local banks to offer mortgage plans to potential customers who have expressed their interests in the industrial buildings on the Qingcheng Land or floors therein. More works are scheduled in the coming months in order to push up the sales of the industrial buildings on the Qingcheng Land.

Securities Trading and Equity Investments 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.

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 utilise the online trading platform, so as to broaden the clientele and optimise the product mix.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

Set out below is the management discussion and analysis on the Group for the years ended 31 December 2019, 2020 and 2021 as extracted from the annual reports of the Company for the years ended 31 December 2019, 2020 and 2021.

(I) For the year ended 31 December 2019

The management's discussion and analysis of the audited consolidated financial results and operations relating to the business of the Group for the year ended 31 December 2019 is set out below:

Overview

During the year ended 31 December 2019 ("**FY2019**"), the Group was exposed to all sorts of market challenges and uncertainties, including but not limited to the trade dispute between the U.S. and the PRC and the political unrest in Hong Kong which adversely affected the turnover of most of the business segments of the Group. In light of this, the Group allocated more financial resources to develop the domestic market and adopted various cost tightening policies to lower the operating costs and therefore, the results of certain business segments improved as compared with the year ended 31 December 2018 ("**FY2018**").

Total Revenue from Continuing Operations and Gross Profit Margin

During FY2019, total revenue from continuing operations of the Group was approximately HK$560.6 million and the gross profit margin was approximately 27.1%. The contribution of each business segment to the revenue from continuing operations of the Group was as follows:

	2019 *HK$*	**Approximate % to total revenue**	**2018** *HK$* (Re-presented)	**Approximate % to total revenue**
Lending Business	8,491,405	1.5%	7,197,071	1.2%
Manufacturing and Sales Business	490,000,611	87.4%	525,690,488	88.8%
Music and Entertainment Business	11,881,910	2.1%	18,133,494	3.1%
Property Business	7,310,989	1.3%	7,304,238	1.2%
Trading Business	42,900,332	7.7%	33,838,152	5.7%
Total revenue	560,585,247	100.0%	592,163,443	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 FY2019, and the Group was still in search for deals with promising potential.

For the money lending business in Hong Kong, due to the political unrest since the middle of FY2019 and the global economic downturn brought about by the trade dispute between the U.S. and the PRC, the Group tightened its credit control policy for granting new loans, which adversely affected the number and amount of new loans granted by the Group. Though the Group received the majority of interest income as scheduled, its loan portfolio decreased to approximately HK$67.6 million as at 31 December 2019 (31 December 2018: HK$80.8 million). During FY2019, the interest income from loans increased by approximately 18.0% to approximately HK$8.5 million (FY2018: HK$7.2 million), mainly attributable to an increase in average loan amount by approximately 14.6% in FY2019 as compared with FY2018. The segment results of the lending business decreased by approximately 12.6% to HK$3.7 million (FY2018: HK$4.2 million), which was mainly due to the impairment loss of approximately HK$1.3 million (FY2018: nil) made during FY2019. As the majority of loans receivable were financed by internal resources and little manpower was required for the daily operation of the lending business, the Group could maintain low operating costs and achieved a high profit margin accordingly.

Manufacturing and Sales Business

During FY2019, the manufacturing and sales business continued to adopt the same strategy as in FY2018, including: (i) continuous cost reduction as well as efficiency and quality enhancement of factories in the PRC; and (ii) expansion of sales network to clients with higher profit margin. During FY2019, the Group further extended its sales activities to a new market in the PRC. In order to meet the stringent quality requirements of its clients, the Group devoted more financial resources in: (i) the acquisition of new machines for replacing labour intensive workflows and aging machines and increasing production capacity and efficiency; and (ii) the renovation and reorganization of production zones of different product lines in factories in Shenzhen, the PRC for improving the efficiency and effectiveness and shortening the lead time between each process.

The segment revenue decreased by approximately 6.8% to HK$490.0 million for FY2019 (FY2018: approximately HK$525.7 million), which was mainly caused by the decrease in orders from certain existing overseas and domestic clients. In particular, those of packaging and paper shopping bags decreased by approximately 22.0% and 24.3% respectively. However, the decrease was partially offset by the increase in sales of label printing of approximately 6.5%.

The segment profit for FY2019 increased significantly by approximately 420.8% to approximately HK$14.5 million (FY2018: approximately HK$2.8 million). The segment profit margin for FY2019 increased to approximately 3.0% (FY2018: approximately 0.5%).

Music and Entertainment Business

The revenue of this segment decreased by approximately 34.5% to HK$11.9 million (FY2018: approximately HK$18.1 million) and the segment loss for FY2019 was approximately HK$7.2 million (FY2018: approximately HK$2.8 million).

The segment loss further deteriorated to 60.3% in FY2019 from 15.6% in FY2018, mainly due to the loss incurred in investment in concerts and shows and the increase in production costs of physical albums in FY2019.

Property Business

Property development business

During the FY2019, the Group completed the disposal of its 16.67% interest in 四川英華房地產有限公司(unofficial English translation being Sichuan Yinghua Real Estate Co., Ltd.) through disposal of a wholly-owned subsidiary. The gain on disposal of subsidiary was approximately HK$11.8 million but partially offset by the fair value loss of financial derivatives of approximately HK$6.7 million. The net financial impact of the disposal was approximately HK$5.1 million as recorded in the FY2019.

Regarding the Land held by Zhongqing Real Estate, Zhongxing Guosheng submitted an application to the People's Court again in May 2019 for the further extension of the period covered by the Freeze Order. The extended period covered by the Freeze Order started on 13 May 2019 and would end on 12 May 2022. The Group would closely monitor the property market and the development plan of Qingyuan City, the PRC and would take further action if necessary. The Group was still seeking the opportunity to dispose of the Land.

Mini storage business

As at 31 December 2019, the occupancy rate of the storage units significantly decreased to approximately 61% (31 December 2018: approximately 83%).

During FY2019, in order to meet the safety requirements stipulated by relevant government authorities, the ground floor and 1st floor of the Fanling Building were under renovation. As at 31 December 2019, the renovation of ground floor and 1st floor was complete and pending a final inspection by the relevant government authorities, which was expected to be delayed due to the COVID-19 pandemic. As there were more storage units on the 1st floor as compared with that on the ground floor, more storage units were not available for leasing during the renovation period and the occupancy rate was affected as a result.

Office leasing business

After evaluating the financial performance of the business service centre in Kwun Tong, Hong Kong, the demand and supply condition and the keen market competition from other business service centres in Kwun Tong, all contracts with customers were terminated and the operation ceased in February 2019.

Property leasing and investment

The revenue from the lease of a commercial property situated in Yuen Long, Hong Kong ("**Yuen Long Property**") remained stable as compared with FY2018. Approximately 60.7% of revenue of the property business was derived from the Yuen Long Property.

During FY2019, the commercial property situated in Beijing, the PRC ("**Beijing Property**") was leased to an Independent Third Party and the rental income was approximately HK$725,000 for FY2019.

A fair value loss of approximately HK$18.0 million was recorded in "other gains and losses" of the Group during FY2019 (FY2018: fair value gain of approximately HK$10.9 million). The fair value loss was mainly due to the decrease in market value of the Yuen Long Property, which was caused by the political unrest in Hong Kong in the second half of FY2019.

Trading Business

Revenue from the trading business increased significantly to approximately HK$42.9 million (FY2018: approximately HK$33.8 million). The segment profit margin for FY2019 also improved to approximately 15.4% (FY2018: 6.5%).

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 2019 amounted to approximately HK$82.7 million (31 December 2018: approximately HK$114.1 million). During FY2019, the Group recorded a fair value loss of securities trading investments listed in Hong Kong of approximately HK$15.2 million (FY2018: approximately HK$35.5 million), a realized loss of approximately HK$537,000 (FY2018: approximately HK$8.6 million) and a dividend income of approximately HK$1.1 million (FY2018: approximately HK$2.8 million).

Gaming Distribution Business

After a thorough study of the investment return of this business segment and the resources allocation among segments of the Group, the Group had discontinued the operation of this business during the FY2019 and had classified it as discontinued operation in the consolidated financial statements of the Group.

Liquidity, Capital Resources and Capital Structure

The Group's current ratio, quick ratio and gearing ratio as at 31 December 2019 were 2.6, 2.3 and 18.5 respectively.

As at 31 December 2019, the Group had short-term bank deposits and cash and cash equivalents of approximately HK$232.2 million and total borrowings of approximately HK$164.0 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 ranging from 18%-20% per annum. Secured bank borrowings were payable within five years 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 4.4% to 5.4%.

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 2019. However, these ratios had lowered because: (i) bank borrowings were increased to finance the daily operation of the manufacturing and sales business; (ii) the Group maintained a lower inventory level during FY2019; (iii) a decrease in loan receivables in the lending business; and (iv) a decrease in financial assets at FVTPL mainly due to the loss in fair value as at 31 December 2019.

The gearing ratio of the Group increased from 11.3% to 18.5% as at 31 December 2019, mainly attributable to the lease liabilities of approximately HK$54.6 million arising from the adoption of new accounting standards Hong Kong Financial Reporting Standards 16 "Leases" during FY2019. If the lease liabilities were excluded, the gearing ratio of the Group remained stable as compared with that as at 31 December 2018.

The Group generally financed its operation with cash flows generated internally and bank facilities obtained in Hong Kong and the PRC. Taking into account the amount of the anticipated funds generated internally and the available banking facilities, the Group would have adequate resources to meet its future capital expenditure and working capital requirements. The Group would continue to implement a prudent policy in managing cash balances, thereby maintaining a strong and healthy liquidity level to capitalize any potential business opportunity.

Foreign exchange risk

The Group's sales and purchases were principally denominated in RMB, 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 FY2019. The management would closely monitor the foreign exchange rate risk of RMB and identify significant adverse impact (if any) it may cause to the Group's operations in the PRC. The Group would consider using appropriate hedging solutions when necessary. The Group did not use any financial instrument for hedging purpose during FY2019 and it did not have any outstanding hedging instrument as at 31 December 2019.

Capital expenditure

During FY2019, capital expenditure of the Group for property, plant and equipment amounted to approximately HK$66.7 million. The capital expenditure for FY2019 was mainly attributable to the acquisition of machineries for production in the PRC, the renovation work of two factories in Shenzhen, the PRC and the construction work conducted on the industrial land in Qingyuan City, the PRC.

Capital commitments

As at 31 December 2019, the Group had capital commitments of approximately HK$20.3 million which had been contracted for but had not been provided for in the financial statements for the acquisition of property, plant and equipment. 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 expected to finance the capital commitments by internal resources.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2019.

Pledge of assets

As at 31 December 2019, the Group had pledged leasehold building and investment properties with an aggregate carrying value of approximately HK$217.0 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 2019.

Share capital and capital structure

There was no change in the share capital and capital structure of the Company during FY2019.

Human resources

As at 31 December 2019, the Group had approximately 1,520 full-time employees (31 December 2018: approximately 1,600). Total staff costs (including Directors' remuneration) for FY2019 were approximately HK$173.0 million (FY2018: approximately HK$175.3 million).

The remuneration schemes of the Group were generally structured with reference to market conditions and the qualifications of the employees and the reward packages, including discretionary bonus, for the staff were generally reviewed on an annual basis, depending on the staff's and the Group's performance. Apart from salary payments and contributions to retirement benefit schemes, other staff benefits included participation in share option scheme and medical insurance for eligible employees. In-house and external training programmes were also provided as and when required.

(II) For the year ended 31 December 2020

The management's discussion and analysis of the audited consolidated financial results and operations relating to the business of the Group for the year ended 31 December 2020 is set out below:

Overview

During the year ended 31 December 2020 ("**FY2020**"), the Group was significantly and adversely affected by the outbreak of COVID-19 pandemic which seriously affected the global economy to different extents. Restrictions on cross-border travel, lockdown of countries and cities, and implementation of stay-at-home policies changed the consumption behavior of people all over the world rapidly. The slack economic environment and the increasing unemployment rate further undermined the desire of consumption of all people. The turnover and segment results of all business segments of the Group were therefore inevitably affected. Meanwhile, the Group stepped up its effort on the development of the industrial park project in Qingyuan City, the PRC.

Total Revenue from Continuing Operations and Gross Profit Margin

During FY2020, total revenue from continuing operations of the Group was approximately HK$532.7 million and the gross profit margin was approximately 25.0%. The contribution of each business segment to the revenue from continuing operations of the Group was as follows:

	2020 *HK$*	**Approximate % to total revenue**	**2019** *HK$*	**Approximate % to total revenue**
Lending Business	6,756,759	1.3%	8,491,405	1.5%
Manufacturing and Sales Business	486,079,273	91.2%	490,000,611	87.4%
Music and Entertainment Business	4,071,062	0.8%	11,881,910	2.1%
Property Business	4,880,323	0.9%	7,310,989	1.3%
Trading Business	30,887,078	5.8%	42,900,332	7.7%
Total revenue	532,674,495	100.0%	560,585,247	100.0%

Lending Business

For the financial leasing business in Shanghai, the PRC, no transaction was made during FY2020, and the Group was still identifying deals with promising potential.

For the money lending business in Hong Kong, the outbreak of COVID-19 worsened the economic environment in the territory which in turn adversely affected the number and amount of new loans granted by the Group. Though the Group was able to receive the majority of interest income as scheduled, its loan portfolio decreased to approximately HK$29.6 million as at 31 December 2020 (31 December 2019: HK$67.6 million). During FY2020, the interest income from loans decreased by approximately 20.4% to approximately HK$6.8 million (FY2019: HK$8.5 million), mainly due to the decrease in loan portfolio during FY2020.

The segment loss of the lending business was HK$26.9 million (FY2019: segment profit of HK$3.7 million), which was mainly due to the impairment loss of approximately HK$30.6 million (FY2019: HK$1.3 million) recorded during FY2020. The impairment loss of approximately HK$30.6 million was made for two outstanding loans of which the repayment of principal and interest incurred therefrom was in default. Both loans were secured by personal guarantee and/or share charges of a company incorporated in Hong Kong principally engaged in property development business in the PRC. During FY2020, the financial situation of the borrowers of the aforementioned loans was impaired due to the outbreak of COVID-19, making them unable to repay the principal and interests incurred therefrom as scheduled. The Group issued letters of demand to these borrowers and actively negotiated with them to reach a practical solution. Excluding the impairment loss mentioned above, the segment margin was 55% for FY2020 (FY2019: 59%). As the majority of loans receivable were financed by internal resources and only limited manpower was required for the daily operation of the lending business, the Group could maintain low operating costs and achieve a high profit margin accordingly.

Manufacturing and Sales Business

This segment represented: i) the business of manufacturing and sales of printing products, such as packaging boxes, labels, paper products and paper shopping bags, with a worldwide customer base; and ii) the manufacturing and sales of surgical masks, with a Hong Kong customer base. The segment revenue decreased by approximately 0.8% to HK$486.1 million (2019: approximately HK$490.0 million) and the segment profit decreased by 29.6% to approximately HK$10.2 million (2019: approximately HK$14.5 million).

Manufacturing and sales of printing products

During the FY2020, the manufacturing and sales business experienced an extremely difficult and challenging environment. The outbreak of COVID-19 slowed down global economic activities and undermined the desire of consumption which directly affected the demand for printing products of the Group. To cope with the severe economic condition, the Group: (i) exercised extra caution in the evaluation of capital investment in renovating factories and acquiring machineries; (ii) allocated resources to the automation of manufacturing functions so as to lessen the required manpower; (iii) worked more closely with overseas and domestic customers to get market updates and customer feedback to enhance product quality and provide more value-added services to valuable customers; (iv) continued to refine its product mix and allocated more effort to expand the sales networks of products with higher profit margins; and (v) carefully reserved and planned resources to meet the anticipated surge in demand for printing products after the pandemic had been controlled.

The segment revenue of this business decreased by approximately 2.1% to HK$479.8 million for FY2020 (FY2019: approximately HK$490.0 million), mainly attributable to the decrease in orders of plastic printing products and paper shopping bags, which was partially offset by the increase in sales of paper products to existing overseas clients. The segment profit of this business for FY2020 decreased by approximately 9.1% to approximately HK$13.2 million (FY2019: approximately HK$14.5 million).

Manufacturing and sales of surgical masks

During FY2020, the Group started a new business, namely the manufacturing and sales of surgical masks. Two production lines were established and half a floor within the Fanling Building was renovated as a clean room for the business. The revenue of this business was approximately HK$6.3 million whereas the loss was approximately HK$3.0 million.

Music and Entertainment Business

The revenue of this segment decreased significantly by approximately 65.7% to HK$4.1 million (FY2019: approximately HK$11.9 million) and the segment loss for FY2020 was approximately HK$8.5 million (FY2019: approximately HK$7.2 million).

Property Business

Property development business

During the FY2020, no further action was taken by the Group in respect of the Land. The Group would closely monitor the property market and the development plan of Qingyuan and would take further action if necessary. The Group was still seeking the opportunity to dispose of the Land.

The Group, through Zhongda Qingyuan, owned the Qingcheng Land with a total area of approximately 208,000 square metres and planned to construct a biomedical industrial park with an array of industrial buildings, commercial buildings, apartments and dormitories. The buildings thereon were intended for lease or sale to research institutions and relevant enterprises in the biomedical industry. 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 square metres, representing around 5% of the planned gross floor area of the land parcel. As at 31 December 2020, approximately 10.5% of 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 was expected to be completed by the end of April 2021. The corresponding sales and marketing activities commenced before the Chinese New Year of 2021, and the Group was taking an active role in negotiating the terms with certain potential buyers and tenants.

Mini storage business

As at 31 December 2020, the occupancy rate of the storage units further decreased to approximately 57% (FY2019: approximately 61%) due to the worsened economic environment of Hong Kong. Approximately 36.9% of revenue of the property business was derived from the mini-storage business.

Since FY2018, in order to meet the safety requirements stipulated by relevant government authorities, the ground floor and 1st floor of the Fanling Building were renovated. As at 31 December 2020, the renovation was complete and pending a final inspection by the relevant government authorities, which was expected to be further delayed due to COVID-19.

Property leasing and investment

During FY2020, due to the adverse economic impact arising from the outbreak of COVID-19, the Group provided the tenant of the Yuen Long Property with a rental concession totalling at HK$1,295,000. Approximately 53.1% of revenue of the property business was derived from the Yuen Long Property.

During FY2020, the Beijing Property was leased to an Independent Third Party and the annual rental income was approximately HK$490,000.

A fair value loss of approximately HK$9.9 million was recorded in "other gains and losses" of the Group during FY2020 (FY2019: fair value loss of HK$18.0 million).

Trading Business

Revenue from the trading business decreased significantly to approximately HK$30.9 million (FY2019: approximately HK$42.9 million) while the segment profit margin dropped to approximately 5.4% (FY2019: 15.4%).

Securities Trading and Equity Investments Business

The Group's equity instruments at FVTOCI and FVTPL as at 31 December 2020 amounted to approximately HK$40.9 million (31 December 2019: approximately HK$82.7 million). During FY2020, the Group recorded a fair value loss in investments of securities listed in Hong Kong of approximately HK$32.5 million (FY2019: approximately HK$15.2 million), a realized loss of approximately HK$5.7 million (FY2019: approximately HK$537,000) and a dividend income of approximately HK$529,000 (FY2019: approximately HK$1.1 million).

Liquidity, Capital Resources and Capital Structure

The Group's current ratio, quick ratio and gearing ratio as at 31 December 2020 were 2.6, 1.9 and 18.1 respectively.

As at 31 December 2020, the Group had short-term bank deposits and cash and cash equivalents of approximately HK$228.9 million and total borrowings of 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 ranging from 18%-20% per annum. Secured bank borrowings were payable within two years 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 4.4% 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 2020. The gearing ratio of the Group decreased from 18.5% to 18.1% as at 31 December 2020, 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 financed 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 would have adequate resources to meet its future capital expenditure and working capital requirements. The Group would continue to implement a prudent policy in managing cash balances, thereby maintaining a strong and healthy liquidity level to capitalize any potential business opportunity.

Foreign exchange risk

The Group's sales and purchases were mainly denominated in RMB, 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 FY2020. 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 FY2020 and it did not have any outstanding hedging instrument as at 31 December 2020. The Group would consider using appropriate hedging solutions when necessary.

Capital expenditure

During FY2020, capital expenditure of the Group for property, plant and equipment and properties under development for sales amounted to approximately HK$48.3 million and approximately HK$4.6 million respectively. The capital expenditure for FY2020 was mainly attributable to the acquisition of machineries for production in the PRC, the renovation work of a factory in Shenzhen, the PRC and the construction work conducted on the industrial park in Qingyuan City, the PRC.

Capital commitments

As at 31 December 2020, the Group had capital commitments of approximately HK$2.5 million which had been contracted for but had not been provided for in the financial statements for the acquisition of property, plant and equipment. 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 expected to finance the capital commitments by internal resources.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2020.

Pledge of assets

As at 31 December 2020, the Group had pledged leasehold building and investment properties with an aggregate carrying value of 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 2020.

Share capital and capital structure

There was no change in the share capital and capital structure of the Company during FY2020.

Human resources

As at 31 December 2020, the Group had approximately 1,460 full-time employees. Total staff costs (including Directors' remuneration) for FY2020 were approximately HK$155.2 million.

The remuneration schemes of the Group were generally structured with reference to market conditions and the qualifications of the employees, and the reward packages, including discretionary bonus, for staff members were 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 included participation in share option scheme and medical insurance for eligible employees. In-house and external training programmes were also provided as and when required.

(III) For the year ended 31 December 2021

The management's discussion and analysis of the audited consolidated financial results and operations relating to the business of the Group for the year ended 31 December 2021 is set out below:

Overview

During the year ended 31 December 2021 ("**FY2021**"), the business activities of the Group were continuously affected by COVID-19 pandemic which still affected the global economy to a certain extent. Along with the mass injection of vaccine, more and more countries had started to relax the anti-pandemic precaution measures, which boosted up the consumption market all over the world during the FY2021. 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 FY2021, 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 FY2021 and the phase II construction has been commenced. The sales and marketing activities of the industrial park was kicked off within the FY2021 and more marketing resources were allocated to drive the sales in 2022.

Total Revenue and Gross Profit Margin

During FY2021, total revenue of the Group was approximately HK$623.6 million and the gross profit margin was approximately 17.4%. The contribution of each business segment to the revenue of the Group was as follows:

	2021	**Approximate % to total revenue**	**2020**	**Approximate % to total revenue**
	HK$		*HK$*	
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

For the financial leasing business in Shanghai, no transaction was made during the FY2021, and the Group was still identifying deals with promising potential.

For the money lending business in Hong Kong, 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 FY2021 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 FY2021, the interest income from loans decreased by approximately 71.6% to approximately HK$1.9 million (FY2020: HK$6.8 million), mainly due to the decrease in the number of loan portfolios during the FY2021. The segment gain of the lending business was approximately HK$47,000 (FY2020: segment loss of HK$26.9 million) and the improvement was mainly due to the absence of impairment loss (FY2020: HK$30.6 million) during the FY2021. The segment gain is relatively low for the FY2021 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 FY2021 for further enhancement of the online money lending platform.

The Group has concentration of credit risk as 80% (FY2020: 52%) of the total loans receivable was due from three (FY2020: two) Independent Third Parties of total of approximately HK$7,320,000 (FY2020: HK$31,719,306).

For those loans receivable secured by properties located in Hong Kong with aggregate amount of HK$9,115,671 (FY2020: HK$27,429,434), the directors of the Company considered the loss given default was low in view of the fair value of the collaterals was higher than the carrying amounts of the respective loans receivable. The Group had 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 (FY2020: HK$6,312,852) was unsecured as at 31 December 2021.

Gross carrying amount of loans receivable amounting to HK$27,760,367 as at 31 December 2020 was 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 FY2020, the counterparty of this loans receivable defaulted in repayment and no settlement was made for the outstanding balances during the FY2021. The management of the Group considered that the credit risk on the loan to this loans receivable significantly increased during the FY2020. 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 FY2020. In view of the probability of the default and the recoverable amount of the pledges, which was expected to be insignificant, an impairment losses of HK$26,549,287 was recognised during the FY2020.

During the FY2020, there were counterparties with gross carrying amount of HK$3,958,939 defaulted in repayment and no settlement was made for the outstanding balances during the FY2020. 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 FY2020. Also, the Group had recognised net reversal of impairment allowance of HK$183,063 (FY2020: net impairment allowance of HK$176,015) on the remaining loans receivable during the FY2021.

Manufacturing and Sales Business

The segment revenue increased by approximately 19.3% to HK$579.7 million (FY2020: approximately HK$486.1 million) and the segment loss was approximately HK$16.5 million (FY2020: approximately HK$10.2 million).

Manufacturing and sales of printing products

During the FY2021, 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 FY2021, 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 had not recovered during the FY2021, 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 FY2021 (FY2020: 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 FY2021 (FY2020: approximately HK$13.2 million).

Manufacturing and sales of surgical masks

The Group established this sub-segment in 2020 operating in the Fanling Building. The revenue of the business was approximately HK$1.3 million during the FY2021 (FY2020: approximately HK$6.3 million). The loss for the FY2021 was approximately HK$5.9 million (FY2020: approximately HK$3.0 million). 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 FY2021.

Music and Entertainment Business

The revenue of the segment increased by approximately 7.8% to HK$4.4 million (FY2020: approximately HK$4.1 million) and the segment loss for the FY2021 was approximately HK$4.5 million (FY2020: approximately HK$8.5 million).

During the FY2021, 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 would be further delayed to 2023.

Property Business

Property development business

During the FY2021, no further action was taken by the Group in respect of the Land. The Board had from time to time considered the possibility of and the suitable timing for commencing the Compulsory Enforcement against Zhongqing Real Estate to put the Land for sale in the Auction over these years. 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 considered that it was the time to commence the Compulsory Enforcement. More details of the Compulsory Enforcement were disclosed in the ''Letter from the Board'' in this circular.

The Group, through Zhongda Qingyuan, owned the Qingcheng Land with a total area of approximately 208,000 square metres 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 square metres, 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 was expected to be completed in 2022. The Group submitted the second phase development plan with an expected gross floor area of approximately 118,000 square metres 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 would comprise 19 industrial buildings and certain ancillary structures. The corresponding pre-sales and marketing activities commenced since the forth quarter of the FY2021, and the Group has appointed several property agents for the sales and lease of the industrial buildings during the FY2021. No provisional sales and purchase agreement had been entered as at 31 December 2021. More extensive sales and marketing activities would be launched in the first half year of 2022.

Mini storage business

As at 31 December 2021, all lease agreements of the mini storage business had been terminated. Approximately 35.4% of revenue of the property business was derived from the mini storage business during the FY2021.

Property leasing and investment

During the FY2021, due to the adverse economic impact arising from the persistent spread of COVID-19, the Group provided the tenant of the Yuen Long Property 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

During FY2021, the Beijing Property was leased to an independent third party and the annual rental income was approximately HK$427,000.

A fair value gain of approximately HK$46.8 million was recorded in "other gains and losses" of the Group during the FY2021 (FY2020: fair value loss of HK$9.9 million).

Trading Business

Revenue from the trading business increased to approximately HK$33.1 million (FY2020: approximately HK$30.9 million) while a segment loss of approximately HK$3.1 million was recorded during the FY2021 (FY2020: segment profit of approximately HK$1.7 million).

Securities Trading and Equity Investments Business

The Group's equity instruments at FVTOCI and financial assets at FVTPL as at 31 December 2021 amounted to approximately HK$47.3 million (31 December 2020: approximately HK$40.9 million). During the FY2021, the Group recorded a fair value loss in investments of securities listed in Hong Kong of approximately HK$2.7 million (FY2020: approximately HK$32.5 million), a realized loss of approximately HK$27,000 (FY2020: approximately HK$5.7 million) and a dividend income of approximately HK$970,000 (FY2020: approximately HK$529,000).

Disposal of a subsidiary during FY2021

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

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

Please refer to the announcements 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.

Liquidity, Capital Resources and Capital Structure

The Group's current ratio, quick ratio and gearing ratio as at 31 December 2021 were 2.3, 1.5 and 17.1 respectively.

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 financed 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 would have adequate resources to meet its future capital expenditure and working capital requirements. The Group would continue to implement a prudent policy in managing cash balances, thereby maintaining a strong and healthy liquidity level to capitalize any potential business opportunity.

Foreign exchange risk

The Group's sales and purchases were mainly denominated in RMB, 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 FY2021. The management would 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 FY2021 and it did not have any outstanding hedging instrument as at 31 December 2021. The Group would consider using appropriate hedging solutions when necessary.

Capital expenditure

During the FY2021, capital expenditure of the Group for property, plant and equipment and properties under development for sales amounted to approximately HK$24.7 million (FY2020: approximately HK$48.3 million) and approximately HK$68.5 million (FY2020: HK$4.6 million) respectively. The capital expenditure for the FY2021 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$2.5 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 expected to finance the capital commitments by internal resources.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2021.

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 FY2021.

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 FY2021 were approximately HK$176.4 million (FY2020: approximately HK$155.2 million).

The remuneration schemes of the Group were generally structured with reference to market conditions and the qualifications of the employees, and the reward packages, including discretionary bonus, for staff members were 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 included participation in share option scheme and medical insurance for eligible employees. In-house and external training programmes were also provided as and when required.

The following is the text of a letter and property valuation report prepared for the purpose of incorporation in this circular received from Peak Vision Appraisals Limited, an independent property valuer, in connection with its opinion of market value of the Land as at 30 April 2022.

Peak Vision
Appraisals Limited

Unit 702, 7th Floor
Capital Centre
No. 151 Gloucester Road
Wanchai, Hong Kong
www.peakval.com
Tel (852) 2187 2238
Fax (852) 2187 2239

24 June 2022

The Board of Directors
Neway Group Holdings Limited
Units Nos. 1103 and 1105-1111, Level 11
Tower II, Grand Century Place
193 Prince Edward Road West
Mongkok, Kowloon
Hong Kong

Dear Sirs,

Re: Two parcels of land (Lot Nos. B19001-1*1 and B19001-2*1) located in Liantang Villagers Committee, Dongcheng Sub-district, Qingcheng District, Qingyuan City, Guangdong Province, the People's Republic of China

In accordance with the instruction from Neway Group Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") for us to value the captioned property located in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for providing you with our opinion of value of the property as at 30 April 2022 (the "**Valuation Date**") for public documentation purpose.

This letter, forming part of our valuation report, identifies the property being valued, explains the basis and methodology of our valuation and lists out the assumptions and title investigations, which we have made in the course of our valuation, as well as the limiting conditions.

Our valuation is our opinion of market value which is defined to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

According to the legal opinion of the property prepared by Guangdong Lianrui Law Firm, the Group's legal adviser on the PRC law (the "**PRC Legal Adviser**"), the property is under seizure by court and pending further settlement, and hence there are obstacles to transfer or create mortgage over the property. Therefore, we have attributed no commercial value as at the Valuation Date to the property due to current restriction on the transferability.

Our valuation has been made on the assumption that the owner sells the property on the open market in its existing state without the benefit of deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could serve to affect the value of the property. No forced sale situation in any manner is assumed in our valuation. In addition, we have been advised by the Group that the property is not subject to any option or right of pre-emption which would concern or affect the sale of the property unless otherwise specified in this report.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

We have been provided by the Group with copies of documents in relation to the title to the property located in the PRC. We have not examined the original documents to verify ownership and to ascertain the existence of any amendments which do not appear on the copies handed to us. In the course of our valuation, we have relied on the advice given by the Group and the PRC Legal Adviser, regarding the title to the property.

The property was inspected during April 2022 by our consultant Mr. Chen Hong Xing, a Certified Public Valuer and member of the China Appraisal Society who has 7 years of experience in the inspection of properties in the PRC. We have inspected the exterior and, where possible, the interior of the property. In the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the property are free from rot, infestation or any other defects. No tests were carried out on any of the services.

We have not carried out on-site measurements to verify the correctness of the site and floor areas of the property but have assumed that the site and floor areas shown on the documents and floor plans available to us are correct. Dimensions, measurements and areas included in the attached property valuation report are based on information contained in the documents provided to us and are, therefore, only approximations.

Moreover, we have not carried out any site investigations to determine or otherwise the suitability of the ground conditions, the presence or otherwise of contamination and the provision of or otherwise suitability for services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred in the event of any development.

We have relied to a considerable extent on the information provided by the Group and the PRC Legal Adviser regarding the title to the property, we have accepted advice on such matters as planning approvals, statutory notices, easements, tenures, particulars of occupancy, site and floor areas and all other relevant materials regarding the property.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld. The management of the Group has reviewed and confirmed the factual content and has agreed to the assumptions and limiting conditions of this report.

In valuing the property, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, The HKIS Valuation Standards 2020 issued by the Hong Kong Institute of Surveyors, the International Valuation Standards (Effective 31 January 2022) published by the International Valuation Standards Council, where applicable, and under generally accepted valuation procedures and practices.

Peak Vision Appraisals Limited has previously been involved in the valuation of the property and Mr. Nick C. L. Kung has been the signatory to the valuation since 2021. The proportion of total fees payable by the Group during the preceding year relative to the total fee income of Peak Vision Appraisals Limited is minimal. For the subject valuation, Peak Vision Appraisals Limited does not yet adopt a rotation policy, and instead, our valuation will be periodically reviewed by another member of the Hong Kong Institute of Surveyors.

Our valuation has been prepared based on the economic, market and other conditions as they existed on, and information made available to us as of the Valuation Date only. It has come to our attention that the outbreak of Coronavirus Disease (COVID-19) has caused significant disruption to economic activities around the world. It is uncertain how long the disruption will last and to what extent it will affect the economy and it may cause volatility and uncertainty such that the input parameters and assumptions adopted in our valuation may change significantly and unexpectedly over a short period of time. It should therefore be noted that any market volatility, policy, geopolitical and social changes or other circumstances after the Valuation Date may affect the value of the property after the Valuation Date.

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

We hereby confirm that we have no material connection or involvement with the Group, the property or the value reported herein and that we are in a position to provide an objective and unbiased valuation.

Our property valuation report is enclosed herewith.

Yours faithfully,
For and on behalf of
Peak Vision Appraisals Limited
Nick C. L. Kung
MRICS, MHKIS, RPS (G.P.), RICS Registered Valuer, MCIREA
Director

Note: Mr. Nick C. L. Kung is a RICS Registered Valuer and a Registered Professional Surveyor who has over 20 years of experience in the valuation of properties in Hong Kong and the PRC.

Property Valuation Report

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2022
Two parcels of land (Lot Nos. B19001-1*1 and B19001-2*1) located in Liantang Villagers Committee, Dongcheng Sub-district, Qingcheng District, Qingyuan City, Guangdong Province, the PRC	The property comprises an irregular-shaped site formed by two contiguous parcels of land (Lot Nos. B19001-1*1 and B19001-2*1) located on the southwestern side of Fucheng Avenue at the section between Haiyi Road and Jinbi Road, within Qingcheng District, Qingyuan City, with a total registered site area of approximately 5,853.40 sq.m. and is proposed to be developed into a residential development with a total gross floor area of approximately 18,680.90 sq.m. *(See Notes iv) to vi) below)* The land use rights of the property have been granted for a term expiring on 26 December 2054 for urban residential use.	As advised by the Group, as at the Valuation Date, the property was a vacant site.	No commercial value *(See Notes v), vi) and viii) below)*

Notes:

i) Pursuant to 2 State-owned Land Use Rights Certificates Nos. Qingyuan Shi Guo Yong (2011) Di 01593 and Qingyuan Shi Guo Yong (2011) Di 01594 both dated 28 October 2011 issued by the People's Government of Qingyuan City, the land use rights of the property have been granted to Qingyuan City Zhongqing Real Estate Development Co., Ltd. ("**Zhongqing Real Estate**") (a non-wholly owned subsidiary of the Company) with a total registered site area of approximately 5,853.40 sq.m. for a term expiring on 26 December 2054 for urban residential use.

ii) Pursuant to the Contract for Transfer of Land Use Rights entered into between Zhang Wei Qiang and Zhang Jing (together, the "**Transferers**") and Zhongqing Real Estate in 2011, the Transferers agreed to transfer the land use rights of portion of the property to Zhongqing Real Estate. The salient conditions stipulated in the contract are summarized as follows:

(a)	Location	:	Liantang Villagers Committee, Dongcheng Sub-district, Qingcheng District, Qingyuan City
(b)	Lot No.	:	B19001-1
(c)	Site area	:	3,466.67 sq.m.
(d)	Land use	:	Mixed residential
(e)	Land transfer consideration	:	RMB5,210,405
(f)	Land use term	:	43 years
(g)	Land term expiring	:	26 December 2054

iii) Pursuant to the Contract for Transfer of Land Use Rights entered into between the Transferers and Zhongqing Real Estate in 2011, the Transferers agreed to transfer the land use rights of the remaining portion of the property to Zhongqing Real Estate. The salient conditions stipulated in the contract are summarized as follows:

(a)	Location	:	Liantang Villagers Committee, Dongcheng Sub-district, Qingcheng District, Qingyuan City
(b)	Lot No.	:	B19001-2
(c)	Site area	:	2,386.73 sq.m.
(d)	Land use	:	Mixed residential
(e)	Land transfer consideration	:	RMB3,587,255
(f)	Land use term	:	43 years
(g)	Land term expiring	:	26 December 2054

iv) Pursuant to the Notice of Planning and Design Requirements No. Guihua Tiaojian 2011-0164 dated 20 September 2011 issued by Qingyuan City Urban and Rural Planning Bureau, development of the property is subject to the following requirements:

(a)	Site area	:	5,853.40 sq.m. (Planning construction land of approximately 5,337.40 sq.m. and urban road area of approximately 516.00 sq.m. respectively)
(b)	Land use	:	Residential
(c)	Gross floor area	:	not less than 5,337.40 sq.m. and not exceeding 20,282 sq.m.
(d)	Plot ratio	:	not less than 1.0 and not exceeding 3.8
(e)	Site coverage	:	not exceeding 28%
(f)	Greenery ratio	:	not less than 30%.
(g)	Height limit	:	not exceeding 80 m

v) According to the "Notice from the Office of the People's Government of Qingyuan City on Issuing the Implementation Plan for Reducing the Plot Ratio for Projects with Comparatively High Plot Ratio within the City Planning Area of Qingyuan City" (Qing Fu Ban Han (2014) No. 27) dated 20 February 2014 issued by Office of the People's Government of Qingyuan City, commercial land developments principally for residential purpose are considered as high-plot-ratio projects if all the following conditions are met: (1) located within the city urban planning area (including Qingcheng District, Qingyuan Economic Development Zone and the Administrative Area of Qingxin District), (2) obtained planning and design requirements or secured approvals on detailed construction plans before 14 November 2012, and (3) with plot ratio of 3.0 or above. The plot ratio of such projects should be lowered, specifically, for projects with plot ratio of 4.0 or above, the plot ratio should be lowered by 0.5 in principle; for projects with plot ratio between 3.0 and 4.0, the plot ratio should be lowered by 0.3 in principle.

vi) Based on the above and the PRC Legal Adviser, our valuation has been prepared on the assumption that the plot ratio of the property had been changed from 3.8 to 3.5 (mentioned in Note v) above) as at the Valuation Date. Based on the above reduced plot ratio, the total gross floor area of the proposed residential development is approximately 18,680.90 sq.m. which is the product of site area of the planning construction land of 5,337.40 sq.m. (mentioned in Note iv) above) and the reduced plot ratio of 3.5.

vii) We have been provided with a legal opinion on the property by the PRC Legal Adviser, which contains, *inter alia*, the following information that has been translated from Chinese. If there are any inconsistencies, the Chinese version shall prevail:

(a) The land use rights of the property are legally held by Zhongqing Real Estate;

(b) The property is defined as comparatively high plot ratio project as stipulated in the "Notice from the Office of the People's Government of Qingyuan City on Issuing the Implementation Plan for Reducing the Plot Ratio of Projects with Comparatively High Plot Ratio within the City Planning Area of Qingyuan City", and the plot ratio of the property should be reduced by 0.3;

(c) Qingyuan City Natural Resources Bureau and other relevant departments will not compensate for the loss of reducing the plot ratio of the property;

(d) The property is under seizure by court and pending further settlement, and hence there are obstacles to transfer or create mortgage over the property; and

(e) The property as at the Valuation Date was still vacant. If the property is not developed within the time specified in the grant contract of state-owned land use rights, there is legal risk of imposition of fine for idle land or reclaimed without compensation.

viii) According to the legal opinion prepared by the PRC Legal Adviser, as at the Valuation Date, the property was under seizure by court and pending further settlement, and hence there are obstacles to transfer or create mortgage over the property. Therefore, we have attributed no commercial value as at the Valuation Date to the property due to current restriction on the transferability. We are instructed by the Group to conduct the valuation on the special assumption that the owner had valid and enforceable title to the property which was freely transferable, and had free and uninterrupted rights to use the same of such property as at the Valuation Date. Thus, based on the special assumption as mentioned above and for reference purpose only, by adopting the Direct Comparison Method by making reference to comparable sales evidence as available in the relevant market as at the Valuation Date, we are of the opinion that the capital value of the property as at the Valuation Date was RMB38,000,000.

ix) In the course of our valuation, we have also taken into account the construction cost expended (if any) and the estimated construction cost to complete the development prepared by 廣東銀宇工程造價諮詢有限公司 and provided by the Company. Such estimated construction cost is consistent with the construction cost research report published by Rider Levett Bucknall, an independent organisation in cost management and quantity surveying, project management and advisory services, after due adjustments for factors including but not limited to location and type of development.

x) In our valuation, we have adopted an accommodation value (AV) of approximately RMB2,035 per sq.m. for the property.

In the course of our valuation of the property, we have made reference to recent land sales transaction comparables in the vicinity which have characteristics comparable to the property. The prices of those land sales transaction references accommodation value (AV) of about RMB1,330 to RMB2,940 per sq.m. The accommodation value (AV) adopted by us is consistent with the said land sales transaction comparables of the property after due adjustments. Due adjustments to the unit rates have been made to reflect factors including but not limited to time, location and size of the property in arriving at our opinion of value.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Shares and underlying Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of the issued share capital of the Company
Mr. Suek Ka Lun, Ernie ("**Mr. Ernie Suek**")	Founder of a discretionary trust who can influence how the trustee exercises his discretion[1]	39,872,000	
	Interest of controlled corporation[2]	16,730,000	
	Beneficial owner	1,580,000	
		58,182,000	22.94%
Mr. Suek Chai Hong	Beneficial owner	700,000	0.28%
Dr. Ng Wai Kwan	Beneficial owner	8,000	0.01% (rounded up to 2 decimal places)
Mr. Wong Sun Fat	Beneficial owner	100,000	0.04%

Notes:

1. These Shares are beneficially owned by CNA Company Limited ("**CNA**") which is in turn beneficially owned by the Preserve Capital Trust, a discretionary trust set up by Mr. Ernie Suek, the beneficiaries of which include a family member of Mr. Ernie Suek and a charitable institution set up in Hong Kong.

2. These Shares are beneficially owned by Longoing Limited, which is a company wholly-owned by Mr. Ernie Suek.

Long positions in the shares and underlying shares of associated corporations

As at the Latest Practicable Date, CNA beneficially owned deferred non-voting shares in the following subsidiaries of the Company:

Name of subsidiary	**Number of deferred non-voting shares held**
New Box Mini Storage Limited	2
Chung Tai Printing (China) Company Limited	100
Chung Tai Printing Company Limited	3,000
The Greatime Offset Printing Company Limited	9,500

CNA is beneficially owned by the Preserve Capital Trust, a discretionary trust set up by Mr. Ernie Suek and the beneficiaries of which include a family member of Mr. Ernie Suek and a charitable institution set up in Hong Kong. Mr. Ernie Suek is deemed to be interested in all the deferred non-voting shares owned by CNA in the above subsidiaries of the Company.

Save as disclosed above, as at the Latest Practicable Date, no other Directors or chief executive of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange.

(ii) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors, the following persons, other than the Directors or chief executive of the Company, had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of the issued share capital of the Company
CNA[1]	Beneficial owner	39,872,000	15.72%
Alpadis Trust (HK) Limited[1]	Trustee	39,872,000[2]	15.72%
Alpadis Group Holding AG[1]	Interest of controlled corporation	39,872,000[2]	15.72%
Alain Esseiva[1]	Interest of controlled corporation	39,872,000[2]	15.72%
Dominik Philipp Heer[1]	Interest of controlled corporation	39,872,000[2]	15.72%
Krinya Heer[3]	Interest of spouse	39,872,000[2]	15.72%
Longoing Limited[4]	Beneficial owner	16,730,000[4]	6.60%

Notes:

1. CNA is beneficially owned by the Preserve Capital Trust, a discretionary trust set up by Mr. Ernie Suek, the beneficiaries of which include a family member of Mr. Ernie Suek and a charitable institution set up in Hong Kong. Alpadis Trust (HK) Limited, which is wholly-owned by Alpadis Group Holding AG, is the trustee of Preserve Capital Trust. Alpadis Group Holding AG is owned as to 53.34% by Alain Esseiva and 40.60% by Dominik Philipp Heer.

2. These 39,872,000 Shares duplicate with those held by CNA.

3. Spouse of Dominik Philipp Heer.

4. Longoing Limited is a company wholly-owned by Mr. Ernie Suek. These 16,730,000 Shares duplicate with 16,730,000 Shares which Mr. Ernie Suek is interested in.

Save as disclosed above, so far as was known to the Directors, as at the Latest Practicable Date, there was no other person, other than the Directors or chief executive of the Company, who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Mr. Ernie Suek is a director of CNA and Longoing Limited. Save as aforesaid, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) had been entered into by the members of the Group within two years immediately preceding the Latest Practicable Date and are or may be material:

(a) the construction agreement ("**Construction Agreement**") dated 13 September 2021 entered into between Zhongda Qingyuan with 清遠市建明建築工程有限公司 (unofficial English translation being Qingyuan City Jianming Construction Engineering Company Limited)("**Jianming**"), pursuant to which Zhongda Qingyuan agreed to engage Jianming for the provision of construction services on the Qingcheng Land for a total contract price of approximately RMB194.80 million (equivalent to approximately HK$229.86 million), details of which are set out in the announcement of the Company dated 13 September 2021;

(b) the provisional agreement for sale and purchase dated 21 October 2021 entered into among Chung Tai Printing, SP (BVI) 1 Limited and Supreme Cycle Inc., a wholly-owned subsidiary of the Company, pursuant to which Chung Tai Printing conditionally agreed to sell and SP (BVI) 1 Limited agreed to purchase the entire issued shares owned by Chung Tai Printing in Profit Link at an initial consideration of HK$231,000,000 (subject to adjustment), details of which are set out in the circular of the Company dated 17 December 2021;

(c) the termination agreement dated 22 October 2021 entered into between Zhongda Qingyuan and Jianming in respect of the termination of the Construction Agreement with effect from 22 October 2021, details of which are set out in the announcement of the Company dated 22 October 2021; and

(d) the construction agreement dated 27 October 2021 entered into between Zhongda Qingyuan 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 services on the Qingcheng Land for a total contract price of approximately RMB191.90 million (equivalent to approximately HK$226.44 million), details of which are set out in the announcement of the Company dated 27 October 2021.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring or determinable by the Group within one year without payment of compensation other than statutory compensation.

5. LITIGATION

So far as is known to the Directors, save for the Litigation as disclosed in the "Letter from the Board" in this circular, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was pending or threatened against any member of the Group as at the Latest Practicable Date.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

7. INTERESTS IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the businesses of the Group.

8. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert whose advice or opinion is included in this circular:

Name	Qualification
Peak Vision Appraisals Limited	Professional property valuer

As at the Latest Practicable Date, Peak Vision has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report or letter (as the case may be) and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Peak Vision did not have any shareholding interests in the Company or any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in the Company or any member of the Group.

As at the Latest Practicable Date, Peak Vision did not have any interest, direct or indirect, in any assets which had been, since 31 December 2021 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. GENERAL

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda.

(b) The principal place of business of the Company in Hong Kong is at Units Nos. 1103 and 1105-1111, Level 11, Tower II, Grand Century Place, 193 Prince Edward Road West, Mongkok, Kowloon, Hong Kong.

(c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The company secretary of the Company is Ms. Cheung Yuk Shan, who is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

(e) The English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website and the Company's website for 14 days from the date of this circular:

(a) the Valuation Report, the text of which is set out in Appendix III to this circular;

(b) the material contracts referred to in the section headed "Material Contracts" in this Appendix; and

(c) the written consent given by Peak Vision as referred to in the section headed "Qualification and Consent of Expert" in this Appendix.

NEWAY GROUP HOLDINGS LIMITED
中星集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00055)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (“**Meeting**”) of Neway Group Holdings Limited (“**Company**”) will be held at 10:30 a.m. on Friday, 15 July 2022 at Unit 1103, Level 11, Tower II, Grand Century Place, 193 Prince Edward Road West, Mongkok, Kowloon, Hong Kong to consider and, if thought fit, pass the following resolution of the Company:

ORDINARY RESOLUTION

“**THAT**

(a) the application to 深圳市寶安區人民法院 (unofficial English translation being the People’s Court of Baoan District of Shenzhen) or such other competent court in the People’s Republic of China (“**People’s Court**”) by 深圳市中星國盛投資發展有限公司(unofficial English translation being Shenzhen Zhongxing Guosheng Investment Development Co., Ltd.), a wholly-owned subsidiary of the Company, for the commencement of the compulsory enforcement proceedings against 清遠市中清房地產開發有限公司 (unofficial English translation being Qingyuan City Zhongqing Real Estate Development Co., Ltd.), a non-wholly owned subsidiary of the Company, to put the two parcels of land located at 中國廣東省清遠市清城區東城街道蓮塘村民委員會 (Liantang Villagers Committee, Dongcheng Street, Qingcheng District, Qingyuan City, Guangdong Province, the People’s Republic of China) for sale in the judicial auction through the online auction platform as may be chosen by the People’s Court (“**Compulsory Enforcement**”), the details of which are set out in the circular of the Company dated 24 June 2022 (“**Circular**”) (a copy of which is marked “A” and signed by the chairman of the Meeting for identification purpose and has been tabled at the Meeting), be and is hereby approved;

* *For identification purpose only*

(b) any one of the directors of the Company (“**Directors**”) be and is hereby authorised to sign and execute all such documents, instruments, agreements or deeds and to do all such things and to take all such actions as he/she considers necessary, appropriate, desirable and expedient for the purposes of giving effect to or in connection with the Compulsory Enforcement and any subsequent matters in relation to the Compulsory Enforcement, including but not limited to such matters for the purpose of effecting the Possible Acquisition or the Possible Disposal (both as defined in the Circular);

(c) the approvals and authorisation in paragraphs (a) and (b) of this resolution in relation to the application for the Compulsory Enforcement to the People’s Court shall be valid for a period of 3 months from the date of passing of this resolution (“**Relevant Period**”); and

(d) the expiry of the Relevant Period shall not in any way prohibit the Directors from signing any documents, instruments, agreements or deeds or from doing any things or taking any actions for the purpose of giving effect to any matters in relation to the Compulsory Enforcement subsequent to the expiry of the Relevant Period, so long as the application for the Compulsory Enforcement has been made to the People’s Court within the Relevant Period.”

On behalf of the board of Directors
NEWAY GROUP HOLDINGS LIMITED
Suek Ka Lun, Ernie
Chairman

Hong Kong, 24 June 2022

Registered office:
Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

Principal place of business in Hong Kong:
Units Nos. 1103 and 1105-1111, Level 11,
Tower II, Grand Century Place,
193 Prince Edward Road West,
Mongkok,
Kowloon,
Hong Kong

Notes:

(1) In view of the ongoing COVID-19 pandemic and recent requirements for prevention and control of its spread, the Company will implement certain preventive measures at the Meeting, the details of which are set out in the section headed “Precautionary Measures for the SGM” in the Circular, to safeguard the health and safety of the attending shareholders, staff and other stakeholders.

(2) A member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at the Meeting. A proxy needs not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.

(3) The Company does not in any way wish to diminish the opportunity available to the members of the Company to exercise their rights and to vote, but is conscious of the pressing need to protect the members from possible exposure to the COVID-19 pandemic. For the health and safety of the members, the Company would like to encourage members to exercise their right to vote at the Meeting by appointing the chairman of the Meeting as their proxy instead of attending the Meeting in person. Physical attendance is not necessary for the purpose of exercising shareholders' rights.

(4) The proxy form shall be signed under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In order to be valid, the proxy form must be deposited together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, at the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 10:30 a.m. on Wednesday, 13 July 2022 or no later than 48 hours before the time appointed for holding the adjourned meeting or postponed meeting, as the case may be.

(5) Completion and return of the proxy form will not preclude a member of the Company from attending and voting in person at the Meeting or any adjournment or postponement thereof should he/she/it so wish and in such event the proxy form previously submitted shall be deemed to be revoked.

(6) As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above resolution will be decided by way of poll.

(7) For determining the identity of the members of the Company entitled to attend and vote at the Meeting, the register of members of the Company will be closed for registration of transfers of shares of the Company from Tuesday, 12 July 2022 to Friday, 15 July 2022, both dates inclusive. In order to be entitled to attend and vote at the Meeting, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 11 July 2022.

As at the date of this notice, the board of Directors 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.