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NEWAY GROUP HOLDINGS LIMITED

中星集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00055)

DISCLOSEABLE TRANSACTION IN RELATION TO THE LEASE AGREEMENT

THE LEASE AGREEMENT

The Board announces that on 2 September 2022, the Tenant, being a wholly-owned subsidiary of the Company, entered into the Lease Agreement with the Landlord in respect of the lease of the Premises for a term of 3 years commencing from 10 January 2023 to 9 January 2026 for use as a factory and dormitory premises of the Group.

IMPLICATIONS UNDER THE LISTING RULES

In accordance with HKFRS 16 “Leases”, the Group, when entering into a lease transaction as a lessee, should recognise the right-of-use asset in connection with the lease in the consolidated financial statements of the Company. By virtue of the above, the entering into of the Lease Agreement by the Group as a lessee will be regarded as an acquisition of asset under the definition of transaction set out in Rule 14.04(1)(a) of the Listing Rules.

* *For identification purpose only*

As the highest applicable percentage ratio (as defined in the Listing Rules) calculated based on the value of the right-of-use asset to be recognised by the Company in connection with the Lease Agreement according to HKFRS 16 “Leases” exceeds 5% but is less than 25%, the transaction contemplated under the Lease Agreement constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The Board announces that on 2 September 2022, the Tenant, being a wholly-owned subsidiary of the Company, entered into the Lease Agreement with the Landlord in respect of the lease of the Premises. The principal terms of the Lease Agreement are set out below.

THE LEASE AGREEMENT

Date : 2 September 2022.

Parties : (1) The Landlord; and
(2) the Tenant.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, (i) the Landlord is principally engaged in property management business; (ii) the ultimate beneficial owners of the Landlord are Xu Hongyan and Hu Wenwu; and (iii) each of the Landlord and its ultimate beneficial owners is an Independent Third Party.

Premises : The factory building number 3, the dormitory building number 2 and other ancillary facilities, including canteen(s), fire safety pump room(s) and power distribution room(s), with a total floor area of 16,000 square metres, all of which are situated at Yu Rong Chang Shanxia Industrial Zone in Pinghu Shanxia, Pinghu Town, Longgang District, Shenzhen, the PRC (中國深圳市龍崗區平湖鎮平湖山廈裕榮昌山廈工業區).

Term : 3 years commencing from 10 January 2023 to 9 January 2026 subject to the early termination clause in the Lease Agreement.

Monthly rental : Approximately RMB561,423 (equivalent to approximately HK\$640,022).

The Tenant shall pay the monthly rental within 10 business days after the date of receipt of the payment invoice issued by the Landlord for the corresponding calendar month. The monthly rental is inclusive of tax but exclusive of utility charges and management fee.

The amount of the monthly rental was negotiated between the Parties on an arm's length basis and with reference to the prevailing market rent of comparable properties in Shenzhen, the PRC.

It is expected that the payments of monthly rental under the Lease Agreement will be funded by the Group's internal resources.

Security money : The Tenant shall pay approximately RMB1,684,270 (equivalent to approximately HK\$1,920,068), being the amount of 3 months' rent, as security money to the Landlord within 2 business days after the signing of the Lease Agreement.

Upon expiry of the lease term under the Lease Agreement and provided that the Tenant has settled all rents payable and all expenses arising from the lease of the Premises and fulfilled all its responsibilities under the Lease Agreement, including the return and delivery of the Premises to the Landlord, the Landlord shall return the security money in full to the Tenant without interest within 10 days.

- Early termination : If any Party intends to early terminate the Lease Agreement, such Party shall serve a 6 months' prior notice to the other Party. The Lease Agreement shall be terminated upon mutual agreement by the Parties and payment of an amount equivalent to the then 2 months' rent by the terminating Party as compensation to the other Party.
- Renewal of the Term : If the Tenant intends to renew the lease of the Premises upon the expiry of the lease term under the Lease Agreement, the Tenant shall give 3 months' prior written notice to the Landlord. Upon the written confirmation by the Landlord, the Parties shall sign a new lease agreement in respect of the Premises. The Tenant shall enjoy a pre-emptive right for renewal of the lease upon the same terms and conditions.

REASONS FOR AND BENEFITS OF THE LEASE AGREEMENT

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

The Premises have been leased by the Tenant from the Landlord since 10 January 2018 and used by the Group as a factory for the manufacturing of printing products and dormitory premises for the employees of the Group and will continue to be used for the same purposes under the Lease Agreement. The existing lease of the Premises which will expire on 9 January 2023 did not constitute a notifiable transaction of the Company. The Directors consider that the entering into of Lease Agreement is necessary for the continual operation of the existing manufacturing facilities of the Group for its business of manufacturing of printing products, and will save the costs for relocating the manufacturing facilities to another premises. In addition, part of the Premises will be reserved to accommodate any future expansion of the Group's business.

The terms of the Lease Agreement were arrived at by the Parties after arm's length negotiations. Having considered the open market rent of comparable properties and the reasons above, the Directors consider that the terms of the Lease Agreement are normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

THE RIGHT-OF-USE ASSET

The value of the right-of-use asset to be recognised by the Company in connection with the Lease Agreement is estimated to be approximately HK\$20,030,000, which is the present value of aggregated lease payments less incentives (if any) and plus initial direct costs with the lease in accordance with HKFRS 16 “Leases”. A discount rate of 4.4% is applied to compute the present value of aggregated lease payments less incentives (if any) under the Lease Agreement. The above estimated value of the right-of-use asset is subject to audit.

IMPLICATIONS UNDER THE LISTING RULES

In accordance with HKFRS 16 “Leases”, the Group, when entering into a lease transaction as a lessee, should recognise the right-of-use asset in connection with the lease in the consolidated financial statements of the Company. By virtue of the above, the entering into of the Lease Agreement by the Group as a lessee will be regarded as an acquisition of asset under the definition of transaction set out in Rule 14.04(1)(a) of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) calculated based on the value of the right-of-use asset to be recognised by the Company in connection with the Lease Agreement according to HKFRS 16 “Leases” exceeds 5% but is less than 25%, the transaction contemplated under the Lease Agreement constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the following meanings:

“Board”	the board of Directors
“Company”	Neway Group Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a third party independent of the Company and its connected person(s) (having the meaning ascribed to it under the Listing Rules)
“Landlord”	深圳市孔雀山夏實業投資有限公司(unofficial English translation being Shenzhen Kongqueshanxia Industrial Investment Co., Ltd.), a company incorporated in the PRC with limited liability
“Lease Agreement”	the lease agreement dated 2 September 2022 entered into between the Landlord and the Tenant in relation to the lease of the Premises
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	the Landlord and the Tenant collectively and “Party” shall mean either of them
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Premises”	the premises as more particularly set out in the section headed “The Lease Agreement” in this announcement which are to be leased by the Landlord to the Tenant pursuant to the terms of the Lease Agreement

“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenant”	錦翰印刷(深圳)有限公司(unofficial English translation being Kam Hon Printing (Shenzhen) Co., Ltd.), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Term”	the term of the lease arrangement under the Lease Agreement
“%”	per cent.

In this announcement, for the purpose of illustration only, amounts quoted in RMB has been converted into HK\$ at the rate of RMB1.00 to HK\$1.14. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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

Hong Kong, 2 September 2022

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