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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)

**MAJOR TRANSACTION –
PROVISION OF TRANSITIONAL GUARANTEE(S) IN RESPECT
OF THE POSSIBLE GRANT OF MORTGAGE LOAN BY ICBC**

THE TRANSITIONAL GUARANTEE(S)

The Board announces that on 6 January 2023, Zhongda Qingyuan entered into the Cooperation Agreement with ICBC, pursuant to which Zhongda Qingyuan agreed to provide the Transitional Guarantee(s) for the Mortgage Loan(s) to be granted to the Purchaser(s) by ICBC. Subject to the obtaining of the Shareholders' approval in accordance with the requirements of the Listing Rules, the Transitional Guarantee(s) shall become effective on the respective effective date(s) of the relevant loan agreement(s) and shall remain in force until the completion of the relevant mortgage registration(s) over the Property(ies) as security of the Mortgage Loan(s).

IMPLICATIONS UNDER THE LISTING RULES

The provision of the Transitional Guarantee(s) constitutes a major transaction for the Company and is therefore subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

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

* *For identification purpose only*

A circular containing, among other things, (i) details of the Cooperation Agreement; (ii) other information as required under the Listing Rules; and (iii) the notice of the SGM is expected to be despatched to the Shareholders on or before 25 February 2023, as more time is required to prepare the information for inclusion in the circular.

INTRODUCTION

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

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

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

THE TRANSITIONAL GUARANTEE(S)

The Board announces that on 6 January 2023, Zhongda Qingyuan entered into the Cooperation Agreement with ICBC, pursuant to which Zhongda Qingyuan agreed to provide the Transitional Guarantee(s) for the Mortgage Loan(s) which may be granted by ICBC to the Purchaser(s). As at the date of this announcement, no binding agreement has been signed between Zhongda Qingyuan and any Purchaser in respect of the acquisition of the Property(ies), save for the industrial buildings No. 13, No. 14, No. 17 and the first and second floors of the industrial building No. 20 in the Zhongxing Industrial Park (“**Sold Properties**”). Zhongda Qingyuan has entered into separate cooperation agreements with banks for the provision of transitional guarantee(s) for the Sold Properties, details of which were disclosed in the announcements of the Company dated 31 October 2022, 1 November 2022, 25 November 2022, 2 December 2022 and 5 January 2023.

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

Date : 6 January 2023

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

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

Transitional Guarantee(s) and Security Money : Zhongda Qingyuan agreed to provide the Transitional Guarantee(s) up to an aggregate maximum principal amount of RMB300 million (equivalent to HK\$339 million) in favour of ICBC in respect of the repayment obligations of the Purchaser(s) under the Mortgage Loan(s).

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

Zhongda Qingyuan is required to open the Security Money Account(s) at ICBC and deposit the Security Money therein, which represents approximately 5% of the loan amount guaranteed by Zhongda Qingyuan. If any Purchaser fails to repay the principal and interest on time as stipulated in the relevant loan agreement(s) for the Mortgage Loan(s), Zhongda Qingyuan is liable to repay it on such Purchaser's behalf and ICBC has the right to deduct the amount payable by Zhongda Qingyuan from the Security Money Account(s) and/or any other bank account held by Zhongda Qingyuan in ICBC or any of its branch directly.

Term : Zhongda Qingyuan's guarantee obligation under the Transitional Guarantee(s) will commence from the respective effective date(s) of the relevant loan agreement(s) and shall remain in force until the completion of the relevant mortgage registration(s) over the Property(ies) as security of the Mortgage Loan(s).

Condition precedent : The performance of the parties' obligations under the Cooperation Agreement is conditional upon the passing of the relevant resolution(s) approving the Cooperation Agreement and the transactions contemplated thereunder by the Shareholders in accordance with the requirements of the Listing Rules at the SGM.

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

The terms of the Cooperation Agreement, including the guarantee amount and the amount of the Security Money, were negotiated and entered into by Zhongda Qingyuan and ICBC on an arm's length basis and are on normal commercial terms.

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

The total gross floor area of the Properties, which are still available for sale as at the date of this announcement, is approximately 113,000 square metres. The average selling price of the Properties is approximately RMB3,224 (equivalent to approximately HK\$3,643) per square metre, which was determined by the Group after taking into account factors including, but not limited to, the market price of comparable properties situated in the vicinity of the Qingcheng Land based on market information publicly available.

REASONS FOR AND BENEFITS OF THE PROVISION OF THE TRANSITIONAL GUARANTEE(S)

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

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

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

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

IMPLICATIONS UNDER THE LISTING RULES

The provision of the Transitional Guarantee(s) constitutes a major transaction for the Company and is therefore subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

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

A circular containing, among other things, (i) details of the Cooperation Agreement; (ii) other information as required under the Listing Rules; and (iii) the notice of the SGM is expected to be despatched to the Shareholders on or before 25 February 2023, as more time is required to prepare the information for inclusion in the circular.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Neway Group Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“Cooperation Agreement”	the cooperation agreement dated 6 January 2023 entered into between Zhongda Qingyuan and ICBC in respect of the provision of the Transitional Guarantee(s)
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China

“ICBC”	the Qingyuan Qingcheng Branch of Industrial and Commercial Bank of China Ltd., a joint stock company listed on the Main Board of the Stock Exchange with stock codes 1398 and 4620 (USD preference shares), and the Shanghai Stock Exchange with stock code 601398
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected person(s) (having the meaning ascribed to it under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mortgage Loan(s)”	the proposed loan(s), the aggregate principal amount of which shall not exceed RMB300 million (equivalent to HK\$339 million), which may be granted by ICBC to the Purchaser(s) for the acquisition of the Property(ies)
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Property(ies)”	all or any of the industrial buildings under construction in the first stage of development of the Zhongxing Industrial Park
“Purchaser(s)”	the purchaser(s) who/which will apply for the Mortgage Loan(s) from ICBC to fund the acquisition of the Property(ies)
“Qingcheng Land”	a parcel of land owned by Zhongda Qingyuan and located in the Qingyuan High-Tech Development Zone at District A, Dongkeng Cun Committee (東坑村委會), Yuantan Town (North of Lianhu Industrial Park), Qingcheng District, Qingyuan City, Guangdong Province, the PRC

“RMB”	Renminbi, the lawful currency of the PRC
“Security Money”	the amount of security money to be deposited by Zhongda Qingyuan into the Security Money Account(s) in connection with the Transitional Guarantee(s)
“Security Money Account(s)”	special designated account(s) to be opened by Zhongda Qingyuan at ICBC for the purpose of maintaining the Security Money
“SGM”	a special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Cooperation Agreement and the transactions contemplated thereunder
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transitional Guarantee(s)”	irrevocable transitional guarantee(s) up to an aggregate maximum principal amount of RMB300 million (equivalent to HK\$339 million) to be provided by Zhongda Qingyuan in favour of ICBC in respect of the repayment obligations of the Purchaser(s) as borrower(s) of the Mortgage Loan(s)
“Zhongda Qingyuan”	中大印刷(清遠)有限公司 (unofficial English translation being Zhongda Printing (Qingyuan) Co., Ltd.), a wholly-owned subsidiary of the Company
“Zhongxing Industrial Park”	an industrial park named “中星工業園” (unofficial English translation being Zhongxing Industrial Park) located on the Qingcheng Land and under development by Zhongda Qingyuan
“%”	per cent.

In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.13. 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, 6 January 2023

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