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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)

CONNECTED TRANSACTION NON-EXERCISE OF PUT OPTION

Gain Capital (a wholly-owned subsidiary of the Company) has been granted the Put Option. Should the Put Option be exercised, Dr. Suek would acquire from Gain Capital the entire issued share capital of NEL and the Shareholder's Loan. The Company proposes not to exercise the Put Option.

Dr. Suek is a connected person of the Company. Pursuant to Rule 14A.70 of the Listing Rules and based on the applicable percentage ratios, the non-exercise of the Put Option constitutes a connected transaction for the Company subject to Independent Shareholders' approval under the Listing Rules. The Company has established the Independent Board Committee and has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. The relevant circular (including the respective letters of advice from the Independent Board Committee and the Independent Financial Adviser in relation to the non-exercise of the Put Option, and the notice of the SGM) is expected to be despatched to the Shareholders as soon as possible on or before 7 August 2013.

* For identification purpose only

BACKGROUND

On 16 June 2009, Gain Capital (a wholly-owned subsidiary of the Company), the Vendor and Dr. Suek entered into the SP Agreement pursuant to which Gain Capital has acquired from the Vendor the entire issued share capital of NEL and the then shareholder's loan due from NEL to the Vendor. Pursuant to the SP Agreement, Gain Capital has been granted the Put Option.

PUT OPTION

Date

The Put Option was granted to Gain Capital on 16 June 2009 and became exercisable on 1 July 2009.

Parties

Gain Capital is a wholly-owned subsidiary of the Company.

Dr. Suek is the father of Mr. Suek Ka Lun, Ernie, an executive Director and the chairman of the Board, an elder brother of Mr. Suek Chai Hong, an executive Director and the chief executive officer of the Company and the brother-in-law of Dr. Ng Wai Kwan, a non-executive Director. Dr. Suek and his family members are the beneficiaries of a discretionary trust which holds a controlling interest in the Company. Dr. Suek is therefore a connected person of the Company.

Subject matter of the Put Option

The Put Option is exercisable by Gain Capital during the Put Option Period. Should the Put Option be exercised, Dr. Suek would acquire from Gain Capital the entire issued share capital of NEL and the Shareholder's Loan.

Consideration under the exercise of the Put Option

Should the Put Option be exercised, a consideration of HK\$65 million would be payable by Dr. Suek to Gain Capital on the third business day after the exercise of the Put Option. The consideration is calculated based on the terms of the SP Agreement as follows:

Consideration = A + B – C, where:

A is HK\$65,000,000 (which equals the original consideration for the Acquisition);

B is the investment cost (whether by way of subscription of share capital, shareholder's loan and/or advances by shareholders) contributed by members of the Group (other than members of NEL Group) made towards NEL Group subsequent to the Completion Date, which is nil as at the date of this announcement; and

C is the aggregate of any dividend or distribution declared and paid by NEL Group to any members of the Group (other than members of NEL Group) prior to the completion of the sale and purchase of the entire issued share capital of NEL and the amount of shareholder's loan repaid by NEL Group to the Group, which is nil as at the date of this announcement.

NON-EXERCISE OF THE PUT OPTION

For the reasons stated in paragraph headed "Reasons for and benefits of non-exercise of Put Option" below, the Company proposes to put forward to the Independent Shareholders at the SGM a proposal not to exercise the Put Option.

INFORMATION ON THE NEL GROUP

The NEL Group principally engages in artistes management, production and distribution of music albums, production of concert and shows and provision of entertainment-related licensing, consulting and agency services. Set out below are the audited financial results of the NEL Group for the two years ended 31 March 2013.

	For the year ended 31 March	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	18,180	19,976
(Loss)/Profit before tax	(9,376)	5,062
(Loss)/Profit after tax	(9,615)	5,155

The NEL Group provides promotion services carried out by the artists managed by the NEL Group and provides licensed contents of karaoke music videos to the Neway KB Group. Forming part of the revenue of the NEL Group, such provision of promotion services and licensed contents amounted to approximately HK\$2.6 million and approximately HK\$7.6 million for each of the two years ended 31 March 2013. The NEL Group also provides entertainment-related consulting and agency services to other members of the Group. The NEL Group provides to other members of the Group market information such as market trends in the entertainment industry in Hong Kong and the PRC, and advises on entertainment projects including their operation, feasibility and prospects. The NEL Group maintains contacts in the Hong Kong and PRC entertainment industry and introduces entertainment project opportunities to other members of the Group. Such consulting and agency services to the other members of the Group, forming part of the revenue of the NEL Group, amounted to approximately HK\$5.7 million for the year ended 31 March 2013. The NEL Group did not record such income for the year ended 31 March 2012.

As at 31 March 2013, the NEL Group reported a deficit to net assets of approximately HK\$3.6 million comprising total assets of approximately HK\$20 million and total liabilities of approximately HK\$23.6 million including the Shareholder's Loan of approximately HK\$21.2 million. Before the Shareholders' Loan, the NEL Group reported net assets of approximately HK\$17.6 million as at 31 March 2013.

REASONS FOR AND BENEFITS OF NON-EXERCISE OF PUT OPTION

The Group principally engages in (i) manufacturing and sales of printing products; (ii) trading of printing products; (iii) music and entertainment businesses; and (iv) securities trading in Hong Kong and in the PRC. The Group's entertainment business principally engages in artistes management, production and distribution of music albums, investment in teleplays (TV dramas) and cultural and entertainment projects. To reflect the Group's diversification into the entertainment business, the Company changed its name to Neway Group Holdings Limited in 2009 following the Acquisition. The Group's entertainment business is in the process of development and building market recognition. In the PRC, it set up a representative office in Guangzhou and a company in Beijing. The Group actively seeks cooperation opportunities with other entertainment partners in the PRC and overseas, including cooperating with PRC TV stations or investors for production of high quality teleplays. The Company is optimistic about the long-term development of the Group's entertainment business.

The NEL Group manages Hong Kong artistes including HotCha, Stephanie Cheng (鄭融) and Jade Kwan (關心妍) and produces music albums, concerts and shows. Leveraging on the NEL Group's market recognition in the entertainment industry, the NEL Group forms the platform on which the Group's entertainment business is planned to expand and develop particularly in the PRC market. The Group therefore proposes not to exercise the Put Option, and proposes to continue to hold the NEL Group for the long-term development of the Group's entertainment business. The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the Independent Financial Adviser) consider that the non-exercise of the Put Option is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Should the Put Option be exercised, the NEL Group would cease to be subsidiaries of the Company and the Group would not record any gain or loss given that any excess of the consideration under the exercise of the Put Option over the carrying value of the NEL Group would be credited to reserve. The proceeds from the exercise of the Put Option would be applied as general working capital of the Group.

LISTING RULES IMPLICATIONS

Dr. Suek and his family members are the beneficiaries of a discretionary trust which holds a controlling interest in the Company. Dr. Suek is therefore a connected person of the Company. Pursuant to Rule 14A.70 of the Listing Rules and based on the applicable percentage ratios, the non-exercise of the Put Option constitutes a connected transaction for the Company subject to Independent Shareholders' approval under the Listing Rules.

The Company will convene the SGM to seek the Independent Shareholders' approval for the non-exercise of the Put Option. The Company has established the Independent Board Committee and has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. The relevant circular (including the respective letters of advice from the Independent Board Committee and the Independent Financial Adviser in relation to the non-exercise of the Put Option, and the notice of the SGM) is expected to be despatched to the Shareholders as soon as possible on or before 7 August 2013.

DEFINITIONS

The following expressions in this announcement have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the entire issued share capital of NEL and the then shareholder’s loan owed by NEL to the Vendor under the SP Agreement
“Board”	the board of Directors
“Company”	Neway Group Holdings Limited, a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the Main Board of the Stock Exchange
“Completion Date”	1 July 2009, being the date of completion of the Acquisition
“connected person(s)”	has the meaning ascribed to such term in the Listing Rules
“Director(s)”	the director(s) of the Company
“Dr. Suek”	Dr. Suek Chai Kit Christopher
“Gain Capital”	Gain Capital International Limited, a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee established to advise the Independent Shareholders in relation to the non-exercise of the Put Option

“Independent Financial Adviser”	Kingsway Capital Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities as set out in schedule 5 of the SFO, being the independent financial adviser which has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the non-exercise of the Put Option
“Independent Shareholders”	the shareholders of the Company other than Dr. Suek and his associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NEL”	Neway Entertainment Limited
“NEL Group”	NEL and its subsidiaries
“Neway KB”	Neway Karaoke Box Limited, a company wholly owned by a discretionary trust for the benefits of Dr. Suek and his family members
“Neway KB Group”	Neway KB and its subsidiaries
“PRC”	the People’s Republic of China
“Put Option”	the put option granted to Gain Capital pursuant to the SP Agreement
“Put Option Period”	the period commencing from the Completion Date to 30 September 2013 (as extended), during which Gain Capital may exercise the Put Option
“Shareholder(s)”	shareholder(s) of the Company
“Shareholder’s Loan”	the shareholder’s loan owed by NEL to Gain Capital from time to time

“SGM”	the special general meeting of the Company to be held for the purpose of, inter alia, considering, if thought fit, approving the non-exercise of the Put Option
“SP Agreement”	the agreement dated 16 June 2009 entered into between Gain Capital (as the purchaser), the Vendor and Dr. Suek (as warrantor) in relation to inter alia the sale of the entire issued share capital of NEL as amended by the supplemental agreements dated 29 June 2011, 29 June 2012 and 28 March 2013
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Neway Enterprise Holdings Limited, the vendor under the SP Agreement

By order of the Board
Neway Group Holdings Limited
Suek Ka Lun, Ernie
Chairman

Hong Kong, 17 July 2013

As at the date of this announcement, the Directors are 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. Tse Tin Tai, Mr. Cheng Chi Wai, Ms. Lui Lai Ping, Cecily and Mr. Lee Kwok Wan, being the independent non-executive Directors, and Mr. Lau Kam Cheong being the alternate Director to Dr. Ng Wai Kwan.