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Newtree Group Holdings Limited

友川集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1323)

CONNECTED TRANSACTION IN RELATION TO THE INVESTMENT IN 70% EQUITY INTERESTS IN A MEDICAL DEVICES COMPANY IN THE PRC

Financial Adviser to the Company



INCUB Corporate Finance Limited

INTRODUCTION

The Board is pleased to announce that on 6 March 2012 (after trading hours of the Stock Exchange), the Group entered into the Investment Agreement and the Agreement in relation to the investment in Beijing Think.

THE INVESTMENT AGREEMENT

On 6 March 2012, Greenstar and Core Winner entered into the Investment Agreement, pursuant to which Greenstar and Core Winner agreed to invest in Beijing Think through their interest in Hong Kong Think. Subject to the completion of the acquisition of Beijing Think by Hong Kong Think, the registered capital of Beijing Think will be increased from RMB500,000 to RMB10,000,000. Each of Greenstar and Core Winner will contribute the amount of capital increase in proportion to their respective interests in Hong Kong Think. It is expected that the amount of the investment from Greenstar will be no more than HK\$12,000,000 and will be satisfied by the proceeds from the initial public offering of the Company in January 2011.

The investment in Beijing Think and the capital contribution are subject to the completion of the Agreement in relation to the acquisition of Beijing Think.

THE AGREEMENT

On 6 March 2012, Hong Kong Think and the Vendors, entered into the Agreement. Pursuant to the Agreement, Hong Kong Think, as purchaser has agreed to acquire, and the Vendors, as vendors have agreed to sell the entire equity interest in Beijing Think at the consideration of RMB759,000 (equivalent to approximately HK\$934,000) which will be satisfied by cash at Completion.

The Agreement is conditional upon the obtaining of all the necessary approval from the relevant government authority in the PRC.

LISTING RULES IMPLICATIONS

As Mr. Siu and Core Winner are connected persons of Company, the entering into the Investment Agreement and the transaction contemplated thereunder constitute a connected transaction of the Company. The entering into of the Agreement by Hong Kong Think and the Vendors also constitutes a connected transaction of the Company. As each of the percentage ratios (as defined in Rule 14.07 of the Listing Rules) is less than 5%, the investment is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirements under the Listing Rules.

The Board is pleased to announce that on 6 March 2012 (after trading hours of the Stock Exchange), the Group entered into the Investment Agreement and the Agreement in relation to the investment in Beijing Think. Set out below is the information on the Investment Agreement and the Agreement.

I. THE INVESTMENT AGREEMENT

Date: 6 March 2012

Parties: (a) Greenstar, a wholly-owned subsidiary of the Company; and
(b) Core Winner, a company wholly and beneficially owned by Mr. Siu

As at the date of the Investment Agreement, Greenstar and Core Winner are interested in Hong Kong Think as to 70% and 30% respectively. As Mr. Siu is a director of Hong Kong Think, Mr. Siu and Core Winner are each a connected person of the Company as defined under the Listing Rules.

Consideration

Pursuant to the Investment Agreement, Greenstar and Core Winner agreed to invest in Beijing Think through their interest in Hong Kong Think. Subject to the completion of the acquisition of Beijing Think by Hong Kong Think, the registered capital of Beijing Think will be increased from RMB500,000 to RMB10,000,000. Each of Greenstar and Core Winner will contribute the amount of capital increase (i.e. RMB9,500,000) in proportion to their respective interests in Hong Kong Think, in which (i) Greenstar will contribute such amount of fund by cash; and (ii) Core Winner may at the option of Mr. Siu contribute part of the capital by the transfer of Intellectual Properties owned by him at the fair value as assessed by the independent valuer and the remaining by cash. The preliminary valuation of the Intellectual Properties as assessed by the independent valuer is not less than HK\$3 million.

The amount of capital increase will be made within 2 years from the date of the Investment Agreement, in which 20% of the amount, RMB1,900,000 (equivalent to approximately HK\$2,337,000) will be payable when Beijing Think applies the change to become a wholly-foreign owned enterprise.

The amount of investment contributed by Greenstar is subject to the final valuation of the Intellectual Properties, and such amount of investment contributed by Greenstar will be adjusted on proportionate basis with reference to the final valuation of the Intellectual Properties. It is expected that the amount of the investment to be contributed by Greenstar will be no more than HK\$12,000,000 and will be satisfied by the proceeds from the initial public offering of the Company in January 2011. Further information of the Intellectual Properties is set out in the following sections.

Conditions precedent

The investment in Beijing Think and the capital contribution are subject to the completion of the Agreement in relation to the acquisition of Beijing Think.

Termination

The Investment Agreement shall be terminated if (i) the parties terminate the Investment Agreement by written confirmation after friendly negotiation; (ii) the necessary approval of the Acquisition is yet to be grant by the relevant government authority after 6-month period from the date of the Investment Agreement; (iii) the occurrence of force majeure events (as defined under the Investment Agreement) which last for more than a 6-month period; or (iv) there is material breach of the Investment Agreement, or the warranties provided under the Investment Agreement are not true or misleading and the default party does not take appropriate action as request by the other party to its satisfaction.

The terms of the Investment Agreement were negotiated between the parties at arm's length. The Directors (including all the independent non-executive Directors) consider that the terms of the Investment Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Other Terms

Pursuant to the Investment Agreement, each of Greenstar and Core Winner is entitled to nominate 2 and 1 representatives to the board of Hong Kong Think respectively.

II. THE AGREEMENT

Date: 6 March 2012

Parties: (a) Hong Kong Think;
(b) Vendor A; and
(c) Vendor B

Vendor A and Vendor B are the mother-in law and father-in-law of Mr. Siu respectively, and hence are associates (as defined in the Listing Rules) of Mr. Siu, and therefore are connected persons of the Company under Listing Rules.

Assets to be acquired

Pursuant to the Agreement, Hong Kong Think, as a purchaser has agreed to acquire, and the Vendors, as vendors have agreed to sell the entire equity interest in Beijing Think.

Consideration

The consideration of the Acquisition is RMB759,000 (equivalent to approximately HK\$934,000) which will be satisfied by Hong Kong Think by cash at Completion.

The consideration is arrived at after arm's length negotiations among Vendor A and Vendor B and Hong Kong Think and is principally based on the audited net asset value of the Beijing Think of RMB759,061 (equivalent to approximately HK\$934,000) as at 31 December 2011 based on the PRC accounting standard. The Directors (including all the independent non-executive Directors) considered the consideration was fair and reasonable.

Conditions precedent

The Agreement is conditional upon the obtaining of all the necessary approval from the relevant government authority in the PRC.

Completion

Completion will take place within 3 months after obtaining all the necessary approval from the relevant government authority in the PRC. Upon completion of the Agreement, Beijing Think will become a wholly-foreign owned enterprise and a non-wholly owned subsidiary of the Company, its financial performance will be consolidated with that of the Group.

III. INFORMATION OF CORE WINNER AND MR. SIU

Core Winner is a company incorporated in the British Virgin Islands with limited liability, the entire issued shares are beneficially owned by Mr. Siu. Mr. Siu is a Hong Kong resident. He has over twenty years of management experience in medical field in high-growth, international business environments and has extensive experience in medical product procurement, healthcare supply chain operations and distribution business in the China.

IV. INFORMATION OF HONG KONG THINK

Hong Kong Think is a company incorporated in Hong Kong on 6 January 2012. Since its incorporation, Hong Kong Think is principally an investment company with no business operation or material investment. As at the date of this announcement, it is owned as to 70% by Greenstar and 30% by Core Winner, Mr. Siu is a director of Hong Kong Think.

V. INFORMATION OF BEIJING THINK

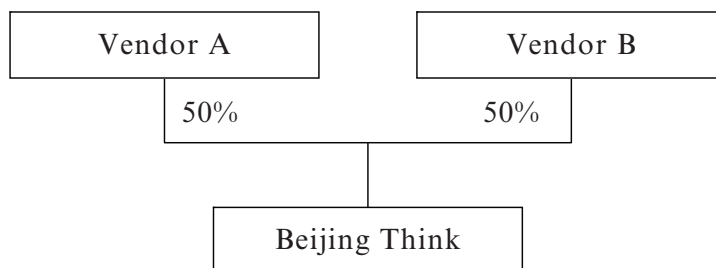
Beijing Think is a company established in the PRC on 15 April 2011. As at the date of this announcement, it is owned as to 50% by Vendor A and 50% by Vendor B. The original cost of the entire equity interests of Beijing Think to Vendor A and Vendor B was RMB500,000, which is the aggregate capital contribution to Beijing Think at the time of

its establishment. Beijing Think will be engaged in the sales of disposable products and component for minimally invasive interventional surgery devices with the Trademark under the trademark and patent license agreement.

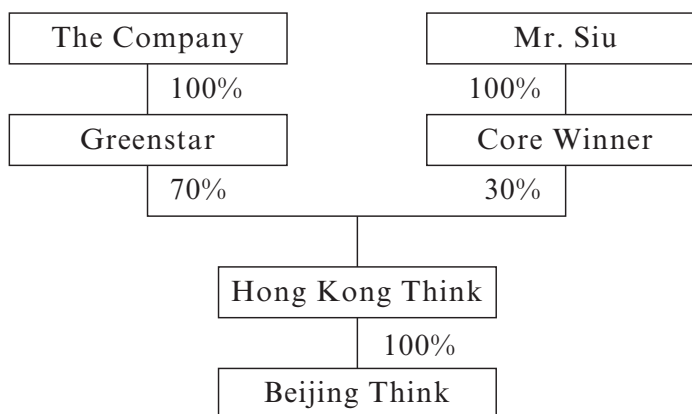
Structure of Hong Kong Think and Beijing Think:

The followings are the group structures of the Group immediately before and immediately after the completion:

Structure before completion:



Structure after completion:



According to the audited accounts of Beijing Think, which has been prepared in accordance with the PRC Accounting Standards, for the period from 15 April 2011 (date of incorporation) to 31 December 2011, the profit before tax and after tax of Beijing Think is RMB345,415 (equivalent to approximately HK\$424,860) and RMB259,061 respectively (equivalent to approximately HK\$318,645). The net asset value as at 31 December 2011 is RMB759,061 (equivalent to approximately HK\$933,645).

Beijing Think has obtained the License for Enterprise Dealing with Medical Devices 《醫療器械經營企業許可證》 for the distribution of category II and III medical devices, medical optical instrument and endoscope.

VI. INFORMATION OF THE INTELLECTUAL PROPERTIES

The Intellectual Properties include Trademark and Patents. The Trademark “think!” was registered in the State Intellectual Property Office of the PRC with Mr. Siu as the registered owner. The Trademark is registered for the use of different kinds of medical devices and equipment in medial analysis, checking, diagnosis, sterilization, radiotherapy, ultrasound and physiotherapy.

The Patents are registered in the State Intellectual Property Office of the PRC with Mr. Siu as the registered owner, details of which are as follows:

Patents	Valid until
Wireless medical supply chain code management system (無線電訊醫療供應鏈條碼管理系統)	7 January 2019
Endoscopic for skull base (顱底內鏡)	6 April 2019
Ventricle working mirror (腦室工作鏡)	4 August 2020
A set of endoscopic lens (一種內窺鏡物鏡組)	23 November 2020

On 1 December 2011, Mr. Siu has entered into a trademark and patent license agreement with Beijing Think, of which the use of the Trademark and Patents are granted to Beijing Think in the production and distribution of licensed product for a maximum of 5 years. In the event Core Winner contributes its portion of investment by the transfer of Intellectual Properties into Hong Kong Think, the above mentioned license agreement will be terminated and replaced by a trademark and patent license agreement granted by Hong Kong Think.

The preliminary valuation of the Intellectual Properties as assessed by the independent valuer is not less than HK\$3 million.

VII. REASONS AND BENEFITS OF ENTERING INTO THE INVESTMENT AGREEMENT AND THE AGREEMENT

The Group is principally engaged in the manufacturing and trading of hygienic disposables for households and clinical uses, products consist mainly of clinical waste bags, general waste bags, disposable film bags and aprons. The Group is also engaged in the trading of methyl tertiary butyl ether business and wholesale and retail of household consumables business.

The Directors consider that the entering into of the Investment Agreement and the Agreement represents an attractive investment opportunity of the Group. With (1) the PRC's increasing demand for medical care, body check and surgery in the clinical and medical sector; (2) the extensive experience of Mr. Siu in the medical supply chain for medical device sector; and (3) the introduction of the Intellectual Properties into Hong Kong Think, the Directors believe that the Group will be benefited from the Acquisition as it broadens the Group's product variety in the clinical and medical sectors, and further expand the market presence of the Group in the PRC medical market.

In view of the above benefits of the Acquisition, the Board is of the view that the terms of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

VIII. LISTING RULES IMPLICATIONS

As Mr. Siu and Core Winner are connected persons of Company, the entering into the Investment Agreement and the transaction contemplated thereunder constitute a connected transaction of the Company. The entering into of the Agreement by Hong Kong Think and the Vendors also constitute a connected transaction of the Company. As each of the percentage ratios (as defined in Rule 14.07 of the Listing Rules) is less than 5%, the investment is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirements under the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Acquisition”	the acquisition of the entire equity interest in Beijing Think pursuant to the Agreement
“Agreement”	the agreement entered into between Hong Kong Think, as a purchaser and the Vendors, as vendors in relation to the acquisition of the entire interests in Beijing Think
“associates”	has the meaning ascribed to it under the Listing Rules
“Beijing Think”	北京思科微創醫療科技有限公司 (transliterated as Beijing Think Micro-medical Technology Limited), a company established in the PRC, the entire issued shares of which are legal and beneficially owned by the Vendors
“Board”	board of the Directors from time to time
“Business Day”	a day other than a Saturday, a Sunday or public holiday on which licensed banks in Hong Kong are open for normal business throughout their normal business hours
“Company”	Newtree Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange (stock code: 1323)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Core Winner”	Core Winner Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issued shares of which are legal and beneficially owned by Mr. Siu, and a party to the Investment Agreement
“Director(s)”	director(s) of the Company from time to time

“Greenstar”	Greenstar Enviro-Tech Investments Company Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company, and a party to the Investment Agreement
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Think”	Think Medical Science (HK) Company Limited, an indirect non-wholly owned subsidiary of the Company which is owned as to 70% by the Greenstar and 30% by Mr. Siu
“Independent Third Party (ies)”	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Intellectual Properties”	Trademark and Patents owned by Mr. Siu
“Investment Agreement”	the investment agreement entered into by Greenstar and Core Winner dated 6 March 2012 in relation to the investment of Hong Kong Think and Beijing Think
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Siu”	Mr. Siu Mo Tung (蕭慕東), a connected person of the Company
“Patents”	4 patents registered in the PRC relating to several technologies applicable in medical devices which is owned by Mr. Siu
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trademark”	the trademark “think!” registered in the PRC for the use in medical devices and equipment
“Vendors”	Vendor A and Vendor B, the vendors to the Agreement
“Vendor A”	Sun Gui Ying (孫桂英), the mother-in-law of Mr. Siu, the vendor of the Agreement

“Vendor B”	Zhao Zhen Rong (趙振榮), the father-in-law of Mr. Siu, the vendor of the Agreement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
Newtree Group Holdings Limited
Chum Tung Hang
Chairman

Hong Kong, 6 March 2012

As at the date of this announcement, the executive Directors are Mr. Chum Tung Hang, Dr., Sir Wong Wai Sing, Mr. Lee Chi Shing, Caesar, Mr. Chum Hon Sing and Ms. Lei Sao Cheng, and the independent non-executive directors are Mr. Lee Thomas Tuan-Tong, Mr. Chow Tsu-Yin and Mr. Chan Bing Chung.