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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)

DISCLOSEABLE TRANSACTION
IN RELATION TO THE ACQUISITION OF 95% OF THE SHARE CAPITAL OF
ECO-MINING INNOVATIVE TECH LIMITED

Financial adviser to the Company



INCU Corporate Finance Limited

THE AGREEMENT

The Board is pleased to announce that, on 4 February 2015 (after trading hours of the Stock Exchange), the Purchaser, a direct wholly-owned subsidiary of the Company, and the Company entered into the Agreement with the Vendors and the Vendor's Guarantor, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares, representing 95% of the total share capital of the Target Company at the consideration of HK\$209 million, which is to be satisfied by the issue of the Promissory Notes and by cash payment. The Target Company is principally engaged in the business of environmental-friendly and innovative mining technologies and has been appointed to act as an authorised representative of DST for promotion and commercialisation of the Patented Technologies in the regions of Asia, Australia, Oceania and Kazakhstan.

THE LISTING RULES IMPLICATIONS

As certain applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition are above 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Reference is made to the announcement of the Company dated 7 November 2014 in relation to the MOU.

INTRODUCTION

The Board is pleased to announce that, on 4 February 2015 (after trading hours of the Stock Exchange), the Purchaser, a direct wholly-owned subsidiary of the Company, and the Company entered into the Agreement with the Vendors and the Vendor's Guarantor, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares, representing 95% of the total share capital of the Target Company.

The principal terms of the Agreement are summarised as follows:

THE AGREEMENT

Date

4 February 2015

Parties

- (i) Purchaser: Starry Zone Global Limited, a direct wholly-owned subsidiary of the Company;
- (ii) The Company;
- (iii) Vendors: China Coal International Holdings Limited as Vendor A and Mr. Tsang Mo Chau as Vendor B; and
- (iv) Vendor's Guarantor: Mr. Chen Bozi, being the ultimate beneficial owner of Vendor A.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Vendor A, Vendor B and the Vendor's Guarantor are Independent Third Parties.

The Vendor's Guarantor has unconditionally and irrevocably guaranteed to the Purchaser the due and punctual performance and observance by Vendor A of all its obligations, commitments, undertakings, warranties, indemnities and covenants under or pursuant to the Agreement and agreed to indemnify the Purchaser against all losses, damages, costs and expenses (including legal costs and expenses) which the Purchaser may suffer through or arising from any breach by Vendor A of such obligations, commitments, warranties, undertakings, indemnities or covenants.

Assets to be acquired

Pursuant to the Agreement, the assets to be acquired by the Purchaser are the Sale Shares, which were owned as to 60 shares and 35 shares by Vendor A and Vendor B respectively. The Sale Shares represent 95% of the total issued share capital of the Target Company.

Upon Completion, the Target Company will be held as to 95% by the Purchaser and 5% by Vendor B.

Consideration

The total Consideration is HK\$209 million, which shall be settled in the following manner:

- (i) HK\$15.5 million has been paid in cash by the Company to Vendor B as a refundable deposit pursuant to the MOU;
- (ii) HK\$16.5 million in cash has been paid to Vendor A and Vendor B as to HK\$4.5 million and HK\$12.0 million respectively as a refundable deposit after signing of the Agreement and part payment of the Consideration;
- (iii) HK\$95 million by the issue of the Promissory Note I to Vendor A (or its nominee(s)) at Completion;
- (iv) HK\$77 million by the issue of the Promissory Note II to Vendor A (or its nominee(s)) and Vendor B (or his nominee(s)) in the amount of HK\$32.5 million and HK\$44.5 million respectively at Completion; and
- (v) HK\$5 million by the issue of the Promissory Note III to Vendor B (or his nominee(s)) at Completion.

The cash portion of the Consideration is funded by the proceeds from the Placing completed on 4 February 2015.

The Consideration was determined based on arm's length negotiations between the Purchaser and the Vendors with reference to, among others, (i) the payment of major portion of the Consideration in Promissory Notes and without interest during their terms will not post immediate cash burden and interest rate burden to the Company; (ii) the reasons for the Acquisition as discussed below; (iii) the growth potential and future prospects of the market of the environmental-friendly and innovative mining technologies; and (iv) the consideration adjustment mechanism under the 2017 Guaranteed Profit (as defined below), given by the Vendors.

Conditions precedent

Completion is conditional upon satisfaction of the following conditions:

- (a) the completion of due diligence review on the Target Company by the Purchaser to the reasonable satisfaction of the Purchaser;
- (b) the Vendors having produced evidence satisfactory to the Purchaser that the Authorised Representative Agreement is validly executed, binding, continuing and enforceable by parties under the Agreement;
- (c) all other requisite consents, authorisations and approvals (or, as the case may be, the relevant waiver) in connection with the entering into and performance of the terms of the Agreement having been obtained by the respective parties to the Agreement (including but not limited to the necessary consent from the Stock Exchange, if any); and
- (d) none of the warranties made by the Vendors under, and other provisions of, the Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or (in respect of any of the warranties) is misleading or untrue in any material respect.

The Purchaser may in its absolute discretion waive the conditions precedent set out above at any time by notice in writing to the Vendors in accordance with the Agreement.

In the event that the conditions precedent set out above shall not be fulfilled or waived on or before the Long Stop Date (or such other date as the parties may agree in writing), the Vendors and the Purchaser shall not be bound to proceed with the transactions contemplated under the Agreement and the Agreement shall cease to be of any effect, save in respect of any claims arising out of any antecedent breach of the Agreement, and the Vendors shall forthwith refund to the Purchaser all amount paid by the Purchaser (or its nominee(s)) under the Agreement to the Vendors (or their nominee(s)).

Profit Guarantee

Pursuant to the Agreement, the Vendors and the Vendor's Guarantor have guaranteed that the 2017 Actual Profit shall not be less than HK\$22 million.

In the event that the 2017 Guaranteed Profit have not been achieved, the Vendors and the Vendor's Guarantor shall pay the shortfall in respect of the 2017 Guaranteed Profit as calculated below:

$$\text{Shortfall} = (\text{2017 Guaranteed Profit} - \text{2017 Actual Profit}) \times 10 \times 95\%$$

The 2017 Actual Profit will be confirmed in a written certificate issued by the auditors designated by the Purchaser and the Company based on the audited consolidated financial statements of the Target Company (and its subsidiaries, if any) prepared in accordance with the HKFRS within four (4) months from 31 December 2017. The adjustment mechanism to the Consideration is equivalent to a price-to-earnings multiple of 10 times.

If any shortfall exists for the financial year ending 31 December 2017, the Vendors shall compensate the Target Company for the shortfall amount by offsetting such shortfall against the principal amount of the Promissory Note II in the following order: (i) the principal amount of the Promissory Note II issued to Vendor B, (ii) the principal amount of the Promissory Note II issued to Vendor A. In the event that the shortfall exceeds the total principal amount of the Promissory Note II, Vendor A undertakes to pay to the Purchaser such remaining shortfall in cash, within ten (10) Business Days after the issue of the audited certificate (which shall be prepared in accordance with HKFRS) of the Target Company.

For the avoidance of doubt, if there is a consolidated net loss after tax and before all non-cash items for the Target Company (and its subsidiaries, if any) for the financial year ending 31 December 2017, the 2017 Actual Profit shall be deemed as zero and the maximum amount of compensation will be HK\$209 million.

The 2017 Guaranteed Profit was arrived at after arm's length negotiation between the Purchaser, the Vendors and the Vendor's Guarantor with reference to the business prospects and business development of the Target Company.

The Board considers that the Consideration, the 2017 Guaranteed Profit and the corresponding consideration adjustment mechanism are in the interests of the Company and the Shareholders as a whole.

Completion

Completion shall take place within five (5) Business Days after the fulfilment or waiver (as the case may be) of all the conditions precedent set out above (or such other Business Day as shall be agreed in writing between the parties to the Agreement).

Upon Completion, the Target Company will become a non-wholly owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the Group's financial statement.

Promissory Notes

The principal terms of the Promissory Notes are as follows:

Issuer:	The Company
Principal amount:	Promissory Note I: HK\$95 million Promissory Note II: HK\$77 million Promissory Note III: HK\$5 million
Maturity date:	Promissory Note I: 31 July 2015 (extendable at the option of the Company) Promissory Note II: 30 April 2018 (subject to the satisfaction of the 2017 Guaranteed Profit) Promissory Note III: 30 April 2018
Interest:	Zero coupon
Transferability:	The holder(s) of the Promissory Note I/Promissory Note III may freely assign or transfer the Promissory Note I/Promissory Note III respectively whether in whole or in integral multiples of HK\$1,000,000 to any person (other than a connected person of the Company) provided that a duly completed transfer in respect of the transfer shall be served on the Company.

The holder(s) of the Promissory Note II may only assign or transfer the Promissory Note II whether in whole or in integral multiples of HK\$1,000,000 to any person (other than a connected person of the Company) with the prior written consent of the Company and after a duly completed transfer in respect of the transfer has been served on the Company.

Early Redemption:

Promissory Note I and Promissory Note III:

The Company may redeem principal amounts of outstanding Promissory Note I/Promissory Note III in whole or in part at any time before the maturity. The holder(s) of the Promissory Note I/Promissory Note III may not redeem the Promissory Note I/Promissory Note III prior to the maturity dates save and except in the occurrence of following event of default:

- (i) any default made by the Company in the performance or observance of any undertaking, warranty or representation given by it under the terms of the Promissory Note I/Promissory Note III (other than the covenant to pay the principal in respect of the Promissory Note I/Promissory Note III) and such default is incapable of remedy (in which event no such notice as is referred to below shall be required), or if capable of remedy is not remedied within thirty (30) Business Days of service by any holder of the Promissory Note I/Promissory Note III on the Company of notice requiring such default to be remedied;
- (ii) a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved otherwise than for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction;

- (iii) proceedings shall have been initiated against the Company under any applicable bankruptcy, authorisation or insolvency law, and such proceedings shall not have been discharged or stayed within thirty (30) Business Days thereafter in relation to the jurisdiction concerned;
- (iv) it is or becomes unlawful for the Company to perform or comply with any of its obligations under the Promissory Note I/Promissory Note III, or due to no fault on the part of any holder of the Promissory Note I/Promissory Note III any such obligation is not or ceases to be enforceable or is claimed by the Company not to be enforceable;
- (v) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Company to lawfully enter into, exercise its rights and perform and comply with its obligations under the Promissory Note I/Promissory Note III, (b) to ensure that those obligations are legally binding and enforceable, and (c) to make the Promissory Note I/Promissory Note III admissible in evidence in the courts of Hong Kong, is not taken, fulfilled or done by the requisite time;
- (vi) any breach of the representations, warranties and undertakings made by the Company to the holder(s) of the Promissory Note I/Promissory Note III; or
- (vii) any event occurs which has an analogous effect to any of the events above.

If any event of default pursuant to the terms and conditions of the Promissory Note I/Promissory Note III occurs, the holder(s) of the Promissory Note I/Promissory Note III shall be entitled to serve a notice on the Company and demand the Promissory Note I/Promissory Note III to become due and payable immediately in whole or in part and be entitled to redeem the Promissory Note I/Promissory Note III.

Promissory Note II:

The Promissory Note II is not redeemable by the Company and the holder(s) of the Promissory Note II in any case.

Status:

The Promissory Notes constitute general, unsecured and unsubordinated obligations of the Company and rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company.

The Directors are of the view that the terms of the Promissory Notes are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company has agreed in the Agreement to raise fund by placing of new shares to repay the Promissory Note I before its maturity on 31 July 2015. In the event the Promissory Note I is not repaid in full on or before 31 July 2015, Vendor A and the Company agreed to extend the maturity date of the Promissory Note I to 30 April 2018 with the remaining principal amount and the rest of the terms remain unchanged. The possible placing may or may not materialise, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Non-competition undertaking by the Vendors

Each of the Vendors warrants to and undertakes with the Purchaser that he/it shall not, from the period commencing from the Completion until 30 April 2018 (inclusive), either directly or indirectly, for his/its own behalf or for and on behalf of any other third party, engage in, or be interested in, any business which is in direct or indirect competition with the business of environmental-friendly and innovative mining technologies without the prior written consent from the Purchaser and the Company.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in BVI with limited liability on 29 October 2014, and is owned directly as to 60% by Vendor A and 40% by Vendor B prior to Completion.

The Target Company is principally engaged in the business of environmental-friendly and innovative mining technologies and the Target Company has been appointed as an authorised representative of DST for promotion and commercialisation of the Patented Technologies (as defined below) in the regions of Asia, Australia, Oceania and Kazakstan for an initial term of 10 years (from October 2014 to October 2024). Under the authorisation from DST, the Target Company will introduce the Patented Technologies to mine operators in the authorised regions and will charge a royalty based on the gross revenue of the mined minerals from mine operators who have adopted the Patented Technologies in their mining activities. The Target Company will share the royalty income with DST accordingly. As at the date of this announcement, the Target Company has signed contracts with 5 mine operators which are located in the PRC and Indonesia to adopt the Patented Technologies in their mining activities. All these contracts commenced from 2015.

As there is no substantial business operation in the year 2014, according to the management accounts of the Target Company for the period from 29 October 2014, being the date of incorporation, to 31 December 2014, it recorded a net loss of HK\$11,900. The net liabilities of the Target Company as at 31 December 2014 was HK\$11,822.

INFORMATION OF DST

DST is a company with limited liability and listed on the Canadian Securities Exchange in April 2014.

DST has developed metallurgical processes based on chlorination for treating and extracting base and precious metals, either with hydrochloric acid or elemental halogens, chlorine, bromine or a mixture of both. DST has obtained patents in respect to its technologies for the extraction of base and precious metals (the “**Patented Technologies**”), which are recognised as a “green technology” compared to cyanidation, the conventional process used in mining industry which will produce contaminant such as arsenic.

INFORMATION OF THE GROUP

The Group is principally engaged in the business of (i) manufacturing and trading of the household and clinical hygienic disposables and trading of related raw materials; (ii) trading of Methyl Tertiary Butyl Ether products; (iii) wholesale and retail of household consumables; (iv) coal trading business; and (v) sales and distribution of jewelries and watches under the brand “Cosi Moda”; and (vi) digital technology business and the education business.

REASONS FOR AND BENEFITS OF THE ACQUISITION

According to the news release dated 28 August 2014 published by DST, it has obtained 25 patents in 19 countries for the Patented Technologies as well as the neutralisation of arsenic and production of fertiliser, and has 14 pending patent applications worldwide for its technologies, which include the ability to process gold concentrates without the use of cyanide. DST has been awarded CAD5.7 million (equivalent to approximately HK\$35.3 million) in grants for the construction of a demonstration plant in Quebec of which CAD0.7 million (equivalent to approximately HK\$4.3 million) has been provided by the Government of Quebec and CAD5.0 million (equivalent to approximately HK\$31.0 million) by the Government of Canada through the Sustainable Development Technology Fund.

The Board believes the Target Company is well-positioned to capture the market of the unique environmental-friendly mining technology and that the Target Company managed to sign contracts with 5 mine operators and is negotiating with other mine operators in the Asia Pacific region in adopting the Patented Technologies. The Board is also optimistic about the long-term development of the Patented Technologies as the PRC government has tightened up its environmental protection policy in the PRC to reduce pollution.

In view of the above, the Directors are of the view that the Acquisition provides an opportunity for the Group to engage in a new line of business with growth potential and broaden its source of income which is expected to increase the Shareholders’ value and benefit the Company and the Shareholders as a whole.

Accordingly, the Directors are of the view that the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

THE LISTING RULES IMPLICATIONS

As certain applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition are above 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“2017 Actual Profit”	the actual audited consolidated net profit after tax and before all non-cash items (as shown in the audited certificate prepared in accordance with HKFRS and to be audited by auditors appointed by the Purchaser and the Company) of the Target Company (and its subsidiaries, if any) for the financial year ending 31 December 2017
“2017 Guaranteed Profit”	the profit guarantee that the 2017 Actual Profit shall not be less than HK\$22 million
“Acquisition”	the purchase of the Sale Shares by the Purchaser from the Vendors pursuant to the Agreement
“Agreement”	the conditional sale and purchase agreement dated 4 February 2015 and entered into by the Purchaser, the Company, the Vendors and the Vendor’s Guarantor in respect of the Acquisition
“Authorised Representative Agreement”	the authorised representative agreement dated 31 October 2014 (together with any amendments thereof), entered into between DST and the Target Company in relation to the appointment of the Target Company as a non-exclusive authorised representative of DST in respect of the Patented Technologies
“Board”	the board of Directors

“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which commercial banks are generally open for business in Hong Kong
“BVI”	the British Virgin Islands
“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”	within five (5) Business Days after the fulfillment or waiver of the conditions or such other date as the Company and the Vendors may agree
“Connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	HK\$209 million, being the total consideration for the Acquisition
“Director(s)”	director(s) of the Company
“DST”	Dundee Sustainable Technologies Inc., a company with limited liability and listed on the Canadian Securities Exchange (stock code: DST)
“Group”	the Company and its subsidiaries (from time to time)
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKFRS”	Hong Kong Financial Reporting Standards
“Independent Third Party(ies)”	a party(ies) independent of and not connected with the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Long Stop Date”	28 February 2015 (or such later date as the Purchaser and the Vendors may agree), being the last day for the fulfillment of the conditions precedent of the Agreement
“MOU”	the non-legally binding memorandum of understanding dated 7 November 2014 and entered into by the Purchaser and Vendor B in respect of the possible acquisition of the Sale Shares
“Placing”	the placing of Shares pursuant to a placing agreement entered into by the Company on 23 January 2015, details of which are set out in the announcement of the Company dated 23 January 2015 and completed on 4 February 2015
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Promissory Note I”	the zero coupon promissory notes of a principal amount of HK\$95 million to be issued by the Company to Vendor A (or its nominee(s)) pursuant to the Agreement
“Promissory Note II”	the zero coupon promissory notes of a aggregate principal amount of HK\$77 million to be issued by the Company to the Vendors (or their nominee(s)) pursuant to the Agreement
“Promissory Note III”	the zero coupon promissory note of a principal amount of HK\$5 million to be issued by the Company to Vendor B (or his nominee(s)) pursuant to the Agreement
“Promissory Notes”	together, Promissory Note I, Promissory Note II and Promissory Note III
“Purchaser”	Starry Zone Global Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company
“Sale Shares”	95 issued and fully-paid ordinary shares of US\$1.00 each in the share capital of the Target Company, representing 95% of the total issued share capital of the Target Company

“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Eco-Mining Innovative Tech Limited, a company incorporated in the BVI with limited liability, the entire issued share capital of which is owned by the Vendors
“Vendor A”	China Coal International Holdings Limited, a company incorporated in the BVI with limited liability, which is one of the Vendors and beneficially interested in 60 ordinary shares of the Target Company, and an Independent Third Party
“Vendor B”	Mr. Tsang Mo Chau, one of the Vendors and the beneficial owner of 40 ordinary shares of the Target Company and an Independent Third Party
“Vendors”	collectively, Vendor A and Vendor B
“Vendor’s Guarantor”	Mr. Chen Bozi, being the ultimate beneficial owner of Vendor A, and an Independent Third Party
“CAD”	Canadian dollar(s), the lawful currency of Canada
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

“US\$” United States dollar(s), the lawful currency of the United States of America

“%” percentage

For the purpose of this announcement, conversion of CAD into HK\$ is based on the exchange rate of CAD1.00 to HK\$6.2. The exchange rates have been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

By Order of the Board
Newtree Group Holdings Limited
Mr. Wong Wai Sing
Chairman and Executive Director

Hong Kong, 4 February 2015

As at the date of this announcement, the executive Directors are Mr. Wong Wai Sing, Mr. Chum Hon Sing, Ms. Sung Ting Yee, Mr. Lee Chi Shing, Caesar, Ms. Yick Mi Ching, Dawnibilly, Ms. Yu Tak Wai, Winnie and Mr. Chan Kin Lung, the non-executive Director is Mr. Mok Tsan San, and the independent non-executive Directors are Mr. Kwok Kam Tim, Mr. Kinley Lincoln James Lloyd, Mr. Tam Chak Chi and Dr. Hui Chik Kwan.