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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
RELATING TO
THE ACQUISITION OF APPROXIMATELY 10% EQUITY INTEREST
IN GOLDBELL HOLDINGS LIMITED

THE ACQUISITION

The Board is pleased to announce that after trading hours on 10 July 2014, the Purchaser, a direct wholly-owned subsidiary of the Company, the Vendors and the Guarantors entered into the Acquisition Agreement, pursuant to which the Purchaser conditionally agreed to purchase and the Vendors conditionally agreed to sell the Sale Shares, representing approximately 10% equity interest in the Target, at the consideration of HK\$159 million. The Target, through its subsidiaries, is principally engaged in exploration and exploitation of gold mines, and processing, smelting, refining and sales of gold in the PRC.

LISTING RULES IMPLICATION

As the applicable percentage ratios calculated 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 under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

References are made to the announcements of the Company dated 29 May 2013 and 28 March 2014 relating to the entering into of the memorandum of understanding in respect of the acquisition of certain equity interest in the Target by the Purchaser from the Vendors. The Board is pleased to announce that after trading hours on 10 July 2014, the Purchaser, a direct wholly-owned subsidiary of the Company, the Vendors and the Guarantors entered into the Acquisition Agreement, pursuant to which the Purchaser conditionally agreed to purchase and the Vendors conditionally agreed to sell the Sale Shares, representing approximately 10% equity interest in the Target, at the Consideration of HK\$159 million.

THE ACQUISITION

The Acquisition Agreement

Date:	10 July 2014 (after trading hours)
Purchaser:	Golden Star Group Holdings Limited, a direct wholly-owned subsidiary of the Company
Vendor A:	Sinochoze Investments Limited, a company incorporated in the BVI with limited liability, which holds approximately 26.29% equity interest in the Target
Vendor B:	Jin Ding Investment Limited, a company incorporated in the BVI with limited liability, which holds approximately 67.60% equity interest in the Target
Guarantors:	Mr. Lo Man Piu and Mr. Jiang Zhiyong, being the respective ultimate beneficial owners of Vendor A and Vendor B

The Guarantors shall (i) procure the Vendors to duly and punctually perform their obligations and duties under the Acquisition Agreement; and (ii) undertake to indemnify the Purchaser fully for all liabilities, losses, damages, expenses and costs as a result of the Vendors failing to perform or delay in performing their obligations under the Acquisition Agreement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendors are investment holding companies and their respective ultimate beneficial owner, the Guarantors, are third parties independent of the Company and its connected persons.

Assets to be acquired

The assets to be acquired by the Purchaser under the Acquisition Agreement are the Sale Shares, of which 711 shares are held by Vendor A and 355 shares are held by Vendor B, representing an aggregate of approximately 10% equity interest in the Target.

Upon Completion, the Target will be held as to approximately 19.6% by Vendor A, 64.3% by Vendor B, 10% by the Purchaser and 6.1% by third parties independent of the Company and its connected persons.

The Target is an investment holding company incorporated in the BVI with limited liability and its principal asset is its 90% indirect equity interest in the Operating Company, which holds 100% beneficial interest in the Mines. Another 10% equity interest in the Operating Company is indirectly held by a third party independent of the Company and its connected persons.

Consideration

The Consideration of HK\$159 million (subject to the adjustment as described in the paragraph headed “Profit Guarantee and share pledge” below) is to be satisfied by the Purchaser or the Company in the following manner:

- (i) as to HK\$10 million paid in cash to Vendor A’s nominee as the refundable deposit (the “**Deposit**”) on the date of the Acquisition Agreement;
- (ii) as to HK\$46 million payable in cash to Vendor A’s nominee upon Completion;
- (iii) as to HK\$53 million payable in cash to Vendor B upon Completion; and
- (iv) as to HK\$50 million payable (a) in cash to Vendor A or its nominee(s) or (b) by the issue of the Promissory Notes to Vendor A or its nominee(s) within 60 days from the Completion Date.

The Consideration was determined after arm’s length negotiations among the Company, the Vendors and the Guarantors having taken into account (i) the price-to-earnings multiple of 10 times (the “**Acquisition PE**”) calculated based on the Consideration and approximately 10% of the Guaranteed Profit (as defined below), which is lower than the range of the trading price-to-earnings multiples of the relevant comparable companies listed on the Stock Exchange; (ii) the prevailing gold prices; and (iii) the future prospects of the gold mining industry.

The Consideration will be financed by the net proceeds raised from the placing of new Shares and the issue of convertible bonds of the Company, both of which have been completed in June 2014 and the details of which have been set out in the announcements of the Company dated 14 May 2014, 6 June 2014, 11 June 2014 and 19 June 2014 respectively.

Profit Guarantee and share pledge

Pursuant to the Acquisition Agreement, the Vendors undertook to the Purchaser that the consolidated net profit after tax of the Target Group attributable to the equity holders of the Target as prepared in accordance with the HKFRS will be not less than RMB127.2 million (equivalent to approximately HK\$159 million) for the year ending 31 December 2014 (the “**Guaranteed Profit**”). In this regard, the Vendors entered into the deeds of share pledge with the Purchaser pursuant to which the Vendors agreed to pledge an aggregate of 3,196 shares of the Target representing an aggregate of approximately 30% equity interest in the Target in favour of the Purchaser (the “**Pledged Shares**”) as a security for the Profit Guarantee. In the event that the Target fails to meet the Profit Guarantee, the Consideration will be adjusted in the manner detailed in the following paragraph and the adjustment will be settled by the Vendors in proportion to their respective interest in the Sales Shares by way of cash. The pledge will be released within 10 Business Days upon (i) receipt of the adjustment sum by the Purchaser (in the event that the Target fails to meet the Profit Guarantee); or (ii) receipt of the written certificate issued by the auditors which sets out the Actual Profit (as defined below) by the Purchaser (in the event that the Target meets the Profit Guarantee).

Adjustment to the Consideration

If the actual audited consolidated net profit after tax of the Target Group attributable to the equity holders of the Target for the year ending 31 December 2014 (the “**Actual Profit**”) is less than the Guaranteed Profit, the Consideration will be adjusted as follows:

$$\text{Adjustment (in HK\$)} = (\text{Guaranteed Profit (in RMB)} - \text{Actual Profit (in RMB)}) \times 10 \times 10\% \times 1.25$$

$$\text{Adjusted Consideration} = \text{HK\$159 million} - \text{Adjustment}$$

The Actual Profit will be confirmed in a written certificate issued by the auditors of the Company or the auditors jointly designated by the Purchaser and the Vendors, based on the audited consolidated financial statements of the Target prepared in accordance with the HKFRS within three months from 31 December 2014. The adjustment mechanism to the Consideration is based on the Acquisition PE of 10 times.

If the Target records a consolidated net loss after tax for the year ending 31 December 2014, the adjustment will be capped at HK\$159 million.

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

The Promissory Notes

The principal terms of the Promissory Notes are summarised as follows:

Issuer:	The Company
Principal amount:	HK\$50,000,000
Interest:	Non-interest bearing
Maturity:	60 days from the date of issue
Redemption:	The Company shall have the right at any time prior to the maturity date of the Promissory Notes to redeem the outstanding amount of the Promissory Notes in whole or in part of not less than HK\$1,000,000.

Conditions precedent

Completion is subject to the following conditions being fulfilled or waived (as the case may be):

- (i) all the representations and warranties given by the Vendors remaining true from the date of the Acquisition Agreement to the Completion Date;
- (ii) the Vendors having performed or complied with all the undertakings and obligations under the Acquisition Agreement prior to Completion;
- (iii) if applicable, the Vendors having obtained all requisite approvals, consents and authorisations in respect of the Acquisition Agreement and the transactions contemplated thereunder;
- (iv) there being no events that have caused or are reasonably expected to cause any material adverse change;

- (v) the Purchaser having conducted the due diligence review on the assets, financial aspect, indebtedness, taxation position, encumbrance status, operation and business of the Target Group and the results of which are to the reasonable satisfaction of the Purchaser;
- (vi) the Purchaser having obtained a legal opinion issued by the PRC legal advisors appointed by the Purchaser in the form and substance to the reasonable satisfaction of the Purchaser on the PRC Companies including but not limited to their respective due incorporation and subsistence;
- (vii) the Purchaser having obtained a legal opinion issued by the BVI legal advisors appointed by the Purchaser in the form and substance to the reasonable satisfaction of the Purchaser on the BVI Companies including but not limited to their respective due incorporation and subsistence;
- (viii) the Purchaser having obtained a legal opinion issued by the Cayman Islands legal advisors appointed by the Purchaser in the form and substance to the reasonable satisfaction of the Purchaser on Qinlong Jinxin including but not limited to its due incorporation and subsistence;
- (ix) the Purchaser having obtained a legal opinion issued by the Hong Kong legal advisors appointed by the Purchaser in the form and substance to the reasonable satisfaction of the Purchaser on the HK Companies including but not limited to their respective due incorporation and subsistence;
- (x) the Operating Company having in all material respects obtained all relevant legal and valid approvals, consents, licences and/or permits issued by the relevant government authorities (including but not limited to the relevant legal and valid mining licences) relating to the mining operation at the Mines;
- (xi) the Purchaser and the Company having obtained all requisite consents and approvals in respect of the Acquisition Agreement and the transactions contemplated thereunder; and
- (xii) all representations and warranties given by the Purchaser remaining true from the date of the Acquisition Agreement to the Completion Date.

The Purchaser may conditionally or unconditionally waive the conditions set out in (i), (ii), (iv), (v), (vi), (vii), (viii) and (ix) above by notice in writing to the Vendors. The Vendors may conditionally or unconditionally waive the condition set out in (xii) above by notice in writing to the Purchaser. As at the date of this announcement, the Purchaser has no intention to waive any of the conditions. The Directors would only waive the conditions if such decision is, in the Board's opinion, in the interests of the Company and the Shareholders as a whole.

If any of the above conditions is not fulfilled or waived (as the case may be) on or before 30 September 2014 or such other date as the parties to the Acquisition Agreement may agree in writing, the Acquisition Agreement shall terminate, none of the parties to the Acquisition Agreement shall have any further obligations towards the other thereunder except for antecedent breaches (if any) and the Deposit will be refunded to the Purchaser in full by Vendor A within 3 Business Days after receiving the written notice from the Purchaser.

Completion

Completion shall take place within 10 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 Acquisition Agreement).

Upon Completion, the approximately 10% equity interest in the Target will be classified as available-for-sale financial assets on the financial statements of the Group.

The Purchaser's put option

Pursuant to the Acquisition Agreement, the Purchaser shall be entitled to serve a notice on the Vendors to require the Vendors to purchase the Sale Shares from the Purchaser at the Consideration or the adjusted Consideration (as the case may be) commencing from 42 months after the Completion Date. In the event that the Purchaser exercises such put option after Completion, the Company will comply with the relevant Listing Rules accordingly.

Shareholders' agreement

Upon Completion, all the equity shareholders of the Target shall enter into a shareholders' agreement to regulate the rights and obligations among them in respect of the shareholding, management and operation of the Target, in particular, (i) the Target shall declare a dividend of not less than 30% of the audited distributable profits of the Target Group in accordance with the HKFRS in each financial year; (ii) other than the pledge of the Pledged Shares in favour of the Purchaser pursuant to the terms of the Acquisition Agreement, each of the equity holders shall not transfer, gift, sell, collateralise or pledge its respective interest in the

Target (either in part or in whole) or create any encumbrance thereto without the prior written consents of the other equity holders of the Target; (iii) each of the equity holders (other than the Purchaser) shall give the Purchaser a right of first refusal in the event it/he wishes to sell its/his respective interest in the Target to any other party; (iv) the Purchaser shall give the Vendors a right of first refusal in the event it wishes to sell its interest in the Target to any other party; and (v) the Purchaser shall be entitled to serve a notice on the Vendors to require the Vendors to purchase the Sales Shares at the Consideration or the adjusted Consideration (as the case may be) in the event that the Target allots and issues new shares of the Target or grants any options or rights to purchase any new shares of the Target without the written consent of the Purchaser.

INFORMATION ON THE TARGET AND THE MINES

The Target was incorporated in the BVI with limited liability on 26 February 2009. The primary activity of the Target is investment holding and its principal asset is its indirect 90% equity interest in the Operating Company, which holds 100% beneficial interest in the Mines. The Target, through its subsidiaries, engages in exploration and exploitation of gold mines, and processing, smelting, refining and sales of gold in the PRC.

The Mines

The Mines comprising Beidong Mine and 460 Mine are located in Subei County, which is at the northern part of Gansu Province, the PRC. Each of Beidong Mine and 460 Mine secured a mining permit covering an aggregate area of approximately 3.6 sq.km. and approximately 31.9 sq.km. with a mining capacity of 54,000 tonnes and 90,000 tonnes per year, respectively.

It is estimated that the aggregate measured and indicated resources of the Mines amount to approximately 5.63 million tonnes and the aggregate proved and probable reserves are approximately 5.22 million tonnes in accordance with the JORC Code.

The Operating Company has commenced commercial gold production of Beidong Mine at Beidong Processing Plant with a processing capacity of 360,000 tonnes per year since July 2009, and the gold production output has increased from approximately 1,115 kg in 2010 to approximately 1,703 kg in 2012. 460 Mine has also commenced production in 2014.

As the aggregate mining capacity stipulated under the mining licences of the Mines amounted to 144,000 tonnes per year only, the Operating Company will purchase additional ores from the independent ore suppliers such that the processing capacity of Beidong Processing Plant would not be idle.

Over-mining Situation

For the years ended 31 December 2011, 2012 and 2013, the amount of ores mined by the Operating Company at Beidong Mine exceeded the mining capacity stipulated in the mining licences of the Mines (the “**Over-mining Situation**”). However, as advised by the PRC Legal Advisors, the Over-mining Situation does not contravene with any laws or regulations applicable to the gold mining industry and there is no possibility that the Over-mining Situation would result in any sanctions from the administrative authorities.

Despite the fact that the Over-mining Situation does not breach any laws or regulations applicable to gold mining industry, the Operating Company has conducted the mining activities within the stipulated mining capacity (i.e. 144,000 tonnes per year) since 1 January 2014 and thus the Company believes that its interests in the Target Group are properly protected.

FINANCIAL INFORMATION OF THE TARGET

Set out below is the unaudited financial information of the Target prepared under the HKFRS for the two years ended 31 December 2012 and 2013:

	For the year ended 31 December	
	2013	2012
	<i>(in thousand)</i>	<i>(in thousand)</i>
Net profit before tax	RMB175,029	RMB241,670
(including non-controlling interest)	(or HK\$218,786)	(or HK\$302,088)
Net profit after tax	RMB128,426	RMB177,302
(including non-controlling interest)	(or HK\$160,533)	(or HK\$221,628)

The unaudited consolidated net asset value attributable to equity holders of the Target as at 31 May 2014 was approximately RMB489,247,000 (equivalent to approximately HK\$611,558,750).

REASONS FOR THE ACQUISITION

The principal activities of the Group are (i) manufacture and trading of hygienic disposable for household and clinical and trading of related raw materials; (ii) trading of Methyl Tertiary Butyl Ether products; (iii) wholesale and retail of household consumables; and (iv) coal trading business.

According to the 2014 Annual Report, the Group recorded an audited consolidated net loss attributable to the owners of the Company of approximately HK\$137.1 million for the year ended 31 March 2014 (the “**Latest Financial Year**”), as compared to the audited consolidated net profit attributable to the owners of the Company of approximately HK\$6.6 million for the previous financial year. In light of the financial results of the Group for the Latest Financial Year, the Directors are of the view that the global environment is full of complexities and uncertainties, and with such uncertainties and other unfavourable global market conditions, the business environment of the Group in the coming year is expected to remain complicated and full of challenges; however, the Group will continue to identify business opportunities carefully to extend its business model in order to maximise the benefits of the Shareholders.

With a view to extending its business reach, the Group intends to invest in the lucrative gold mining business and considers that the Acquisition provides a prime opportunity for the Group to achieve such goals. Another appealing factor that drives the Company to conduct the Acquisition is the profitability of the Target Group. The unaudited consolidated revenue of the Target Group for the two years ended 31 December 2012 and 2013 amounted to approximately RMB511.1 million (equivalent to approximately HK\$638.9 million) and RMB441.1 million (equivalent to approximately HK\$551.4 million), and the unaudited consolidated net profit after tax attributable to the equity owners of the Target Group amounted to RMB159.6 million (equivalent to approximately HK\$199.5 million) and RMB116.0 million (equivalent to approximately HK\$145.0 million) respectively. Notwithstanding the fact that the Company will obtain a minority interest in the Target upon Completion, the Directors consider that the historical financial performance of the Target and the Profit Guarantee have shown a promising prospect of the future profitability of the Target and thus the Acquisition is a good opportunity for the Group to diversify its business and benefit from the potential dividend income from the Target.

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

LISTING RULES IMPLICATION

As the applicable percentage ratios calculated 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 under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

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

“2014 Annual Report”	the annual report of the Company for the year ended 31 March 2014
“460 Mine”	the mine area located at Subei County, Gansu Province, the PRC with an aggregate mine field area of approximately 31.9 sq.km.
“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendors pursuant to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement dated 10 July 2014 entered into among the Purchaser, the Vendors and the Guarantors for the Acquisition
“Beidong Mine”	the mine area located at Subei County, Gansu Province, the PRC with an aggregate mine field area of approximately 3.6 sq.km.
“Beidong Processing Plant”	the ore processing plant located in the area of Beidong Mine with daily ore processing capacity of 1,200 tonnes
“Board”	the board of Directors
“Business Day(s)”	any day (excluding Saturday, Sunday and public holiday) on which banks in Hong Kong are open for business
“BVI”	British Virgin Islands

“BVI Companies”	collectively, the Target, and its indirect non-wholly-owned subsidiaries incorporated in the BVI with limited liabilities namely Crimson Stars Holdings Limited, Grand Gallant Investments Limited and Goldspin Holdings Limited
“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 main board of the Stock Exchange (stock code: 1323)
“Completion”	completion of the Acquisition
“Completion Date”	the date on which the Completion took place
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration for the Acquisition payable by the Purchaser to the Vendors under the Acquisition Agreement
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Guarantors”	Mr. Lo Man Piu and Mr. Jiang Zhiyong, being the ultimate beneficial owner of Vendor A and Vendor B respectively
“HK Companies”	all subsidiaries of the Target incorporated in Hong Kong with limited liability namely Noble Castle Holdings Limited, Easy Vantage Holdings Limited and Bright Market Limited
“HKFRS”	Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“JORC Code”	has the meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mines”	Beidong Mine and 460 Mine
“Operating Company”	肅北縣霍勒扎德蓋北東礦業有限責任公司 (Subei County Huolezadegai Beidong Mining Co. Ltd.*), the indirect non-wholly-owned subsidiary of the Target established under the laws of the PRC, which holds 100% beneficial interest in the Mines
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Companies”	all subsidiaries of the Target established under the laws of the PRC, with limited liability, namely, 天水金泉礦業有限公司 (Tianshui Golden Spring Mining Company Limited*), 天水金泉礦業有限公司西安分公司 (Tianshui Golden Spring Mining Company Limited Xian Branch*), 天水鑫都礦業有限公司 (Tianshui Xindu Mining Company Limited*), 酒泉市創金礦業發展有限責任公司 (Jiuquan City Chuangjin Mining Development Company Limited*) and the Operating Company
“PRC Legal Advisors”	競天公誠律師事務所 (Jingtian & Gongcheng*), the PRC legal advisors engaged by the Group
“Profit Guarantee”	the guarantee of consolidated net profit after tax of the Target Group attributable to equity holders of the Target, as prepared in accordance with the HKFRS, for the year ending 31 December 2014 of being not less than RMB127.2 million (equivalent to approximately HK\$159 million) provided by the Vendors in favour of the Purchaser under the Acquisition Agreement
“Promissory Notes”	the promissory notes which may be issued by the Company to Vendor A or its nominee(s) in the principal amount of HK\$50 million as part of the Consideration

* *for identification purpose only*

“Purchaser”	Golden Star Group Holdings Limited, a direct wholly-owned subsidiary of the Company
“Qinlong Jinxin”	Qinlong Jinxin Mining Investment Limited, a company incorporated in the Cayman Islands with limited liability, which is a subsidiary owned as to 90% by the Target
“Sale Shares”	an aggregate of 1,066 shares of the Target, representing approximately 10% of the total issued share capital of the Target
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Goldbell Holdings Limited, a company incorporated in the BVI with limited liability
“Target Group”	the Target and its subsidiaries
“Vendor A”	Sinochoze Investments Limited, a company incorporated in the BVI with limited liability which holds approximately 26.29% equity interest in the Target
“Vendor B”	Jin Ding Investment Limited, a company incorporated in the BVI with limited liability which holds approximately 67.60% equity interest in the Target
“Vendors”	collectively, Vendor A and Vendor B
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“kg”	kilogramme
“RMB”	Renminbi, the lawful currency of the PRC
“sq.km.”	square kilometres

For ease of reference and unless otherwise specified in this announcement, sums in HK\$ and RMB in this announcement is translated at the rate RMB1.0 = HK\$1.25. This does not mean that HK\$ could be converted into RMB, or vice versa, based on such exchange rate.

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

Hong Kong, 10 July 2014

As at the date of this announcement, the executive Directors are Mr. Wong Wai Sing, Mr. Chum Hon Sing, Mr. Lee Chi Shing, Caesar, Mr. Tsang Ho Ka, Eugene, Ms. Sung Ting Yee, Ms. Yick Mi Ching, Dawnibilly, Ms. Lu Ying and Mr. Chan Kin Lung and the independent non-executive Directors are Mr. Kwok Kam Tim, Mr. Kinley Lincoln James Lloyd, Dr. Hui Chik Kwan and Mr. Wang Junqiang.