

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.



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)

PROPOSED ISSUE OF HK\$100,000,000
GUARANTEED CONVERTIBLE BONDS DUE 2016

Financial Adviser to the Company



INCU Corporate Finance Limited

THE SUBSCRIPTION AGREEMENT

On 11 June 2014 (after trading hours), the Company, the Subscriber and the Guarantor entered into the Subscription Agreement pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has agreed to issue, the Convertible Bonds in the aggregate principal amount of HK\$100,000,000. The Conversion Price is HK\$3.20 per Share (subject to adjustments).

Assuming the conversion rights attaching to the Convertible Bonds are exercised in full at the Conversion Price, a maximum of 31,250,000 Conversion Shares will be allotted and issued, representing approximately 4.16% of the entire issued share capital of the Company as at the date of this announcement and approximately 3.99% of the entire issued share capital as enlarged by the issue of the Conversion Shares.

The Conversion Shares, upon issue, shall rank pari passu in all respects with the Shares then in issue. The Company will allot and issue the Conversion Shares under the General Mandate.

USE OF PROCEEDS

The gross and net proceeds from the issue of the Convertible Bonds are HK\$100,000,000 and approximately HK\$96,200,000 respectively. On such basis, the net price of each Conversion Share is estimated to approximately HK\$3.08. The Board intends to use the net proceeds for potential acquisition as identified by the Group from time to time and as general working capital purposes of the Group.

Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein respectively. In addition, the Subscription Agreement may be terminated in certain circumstances.

As the Subscription Agreement may or may not be completed, the Convertible Bonds may or may not be issued and/or the Conversion Shares may or may not be issued or listed, the Shareholders and investors are advised to exercise caution when dealing in the securities of the Company.

THE SUBSCRIPTION AGREEMENT

On 11 June 2014 (after trading hours), the Company, the Subscriber and the Guarantor entered into the Subscription Agreement pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has agreed to issue, the Convertible Bonds in the aggregate principal amount of HK\$100,000,000.

The Subscription is conditional upon satisfaction (or which applicable, waiver) of the conditions precedent as set out under the paragraph headed “Conditions Precedent” below.

Assuming the conversion rights attaching to the Convertible Bonds are exercised in full at the Conversion Price, a maximum of 31,250,000 Conversion Shares will be allotted and issued, representing approximately 4.16% of the entire issued share capital of the Company as at the date of this announcement and approximately 3.99% of the entire issued share capital as enlarged by the issue of the Conversion Shares.

The Conversion Shares, upon issue, shall rank pari passu in all respects with the Shares then in issue. The Company will allot and issue the Conversion Shares under the General Mandate.

Details of the Subscription Agreement are set out below:

Date

11 June 2014 (after trading hours)

Parties

Issuer: the Company;

Subscriber: the Subscriber; and

Guarantor: the Guarantor

The Subscriber is a company incorporated in the British Virgin Islands with limited liability whose principal business is investment holding and is a member of VMS Investment Group, a leading investment group with diversified business covering proprietary investments, asset management, securities brokerage and corporate finance advisory.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner are Independent Third Parties.

TERMS AND CONDITIONS OF THE CONVERTIBLE BONDS

The terms and conditions of the Convertible Bonds have been negotiated on an arm's length basis and the principal terms and conditions of which are summarized below:

Issuer: The Company

Issue Price: 100% of the principal amount

Interest rate: The Convertible Bonds shall bear interest at the rate of 8% per annum on the principal amount outstanding from time to time, accruing on a daily basis and calculated for actual number of days elapsed on a 365-day year.

The interest will be payable by the Company every six months in arrears. The first interest payment date shall be the date falling six months from the date of issue of the Convertible Bonds. Interest on any Convertible Bonds not held for the whole of the relevant period shall be calculated on a pro rata basis.

Maturity date: The date falling two years from the date of issue of the Convertible Bonds.

Principal amount: HK\$100,000,000

Conversion Price: The Conversion Price is HK\$3.20 per Share, which is subject to adjustments for, among other matters, subdivision, reclassification or consolidation of Shares, bonus issue, capital distribution, distribution in specie, the issue of new Shares at less than 90% of the current market price and the grant, offer or issue of options, rights, warrants or other convertible securities to subscribe for Shares at less than 90% of the current market price per Share.

If the Company or all the Bondholders determine that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in the above, the Company shall, at its own expense, consult the auditors of the Company from time to time, or if such auditors are unable or refuse to act or if agreed by all the Bondholders and the Company, a major independent international investment bank or investment advisor in Hong Kong selected by the Board and approved by all the Bondholders (the “**Approved Third Party**”), to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination by the Approved Third Party such adjustment (if any) shall be made and shall take effect in accordance with such determination.

The Directors are of the view that the interest of both of the Bondholders and the Shareholders will be adequately protected given that the Approved Third Party will be engaged to determine what adjustment is fair and reasonable prior to making any adjustment to the Conversion Price. The Directors therefore consider that such adjustment mechanism is fair and reasonable to the Company and the Shareholders as a whole and will balance the interests of the Shareholders and the Bondholders.

The Conversion Price represents:

- (i) a premium of about 1.59% over the closing price of HK\$3.150 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of about 1.65% over the average closing price of HK\$3.148 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day; and
- (iii) a premium of about 4.03% over the average closing price of HK\$3.076 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the Last Trading Day.

The Conversion Price has been determined after arm's length negotiations between the Company and the Subscriber with reference to the prevailing market price of the Shares.

Guarantee:

The Guarantor unconditionally and irrevocably guarantees that if the Company does not pay any sum payable by it under the Subscription Agreement and/or the Convertible Bonds by the time and on the date specified for such payment (whether on the normal due date, on acceleration or otherwise), the Guarantor will pay that sum to or to the order of the Bondholders.

Transferability of
Convertible Bonds:

Subject to compliance with the Listing Rules, the Convertible Bonds may be transferred or assigned in whole or in part by the Bondholders to any party, save and except that the Convertible Bonds shall not be transferred to a connected person of the Company unless with the consent of the Company.

Conversion rights: The Bondholders may convert the whole or part (in multiples of HK\$1,000,000 (“**Authorized Denomination**”)) of the outstanding principal amount of the Convertible Bonds at the Conversion Price at any time from and including the date of issue up to and including the Maturity Date.

If any Convertible Bond has become due and payable prior to the Maturity Date pursuant to the “Early redemption at the option of the Bondholders”, “Early redemption at the option of the Company” and “Redemption for event of default or material adverse change” as set out below, the conversion right attaching to such Convertible Bond will revive and/or will continue to be exercisable up until the full amount of the moneys payable in respect of such Convertible Bond has been duly received by the Bondholders.

Conversion Shares: The number of Shares to be issued on conversion of the Convertible Bonds shall be determined by dividing the aggregate principal amount of the Convertible Bonds (subject to conversion) to be converted by the applicable Conversion Price in effect on the conversion date.

Assuming the conversion rights attaching to the Convertible Bonds are exercised in full at the initial Conversion Price of HK\$3.20 per Share, a total of 31,250,000 Conversion Shares will be issued by the Company.

The 31,250,000 Conversion Shares represent about 4.16% of the existing issued share capital of the Company as at the date of this announcement and about 3.99% of the issued share capital of the Company as enlarged by the allotment and issue of all the Conversion Shares.

Redemption at maturity: Unless previously redeemed, converted or purchased and cancelled in the circumstances set out in the terms of the Convertible Bonds, the Company will redeem the outstanding Convertible Bonds at 124% of its principal amount on the Maturity Date.

<p>Early redemption at the option of the Bondholders:</p>	<p>At any time after the first anniversary of the date of issue, the Bondholder is (but is not obliged) entitled to require the Company to redeem the Convertible Bonds (in Authorized Denomination) at an amount equal to all outstanding Convertible Bonds at 100% of the principal amount of the Convertible Bonds plus a premium of 12% per annum (calculated for actual number of days elapsed from the date of issue of the Convertible Bonds until the day of the actual receipt of such early redemption amounts by the Bondholder on a 365-day year) by serving a redemption notice on the Company setting out the date of redemption which shall be on or before the fourteenth (14th) day of the date of the redemption notice served by such Bondholder.</p>
<p>Early redemption at the option of the Company:</p>	<p>At any time after the first anniversary of the date of issue, the Company is (but not obligated) entitled to redeem the Convertible Bonds (in Authorized Denomination) at an amount equal to all outstanding bonds at 100% of the principal amount of the Convertible Bonds plus a premium of 12% per annum (calculated for actual number of days elapsed from the date of issue of the Convertible Bonds until the day of the actual receipt of such early redemption amounts by the Bondholders on a 365-day year) by serving a redemption notice on the Bondholder setting out the date of redemption which shall be on or before the fourteenth (14th) days of the date of the redemption notice served by the Company.</p>
<p>Redemption for event of default or material adverse change:</p>	<p>Following the occurrence of event of default or material adverse change as defined in the bonds instruments, the Bondholders will have the right at their sole options, to require the Company to redeem all but not some only of the Convertible Bonds within ten (10) business days of the Bondholders giving a redemption notice to the Company at an amount equal to the aggregate of (i) all outstanding Convertible Bonds at 100% of the principal amount of the Convertible Bond held by the relevant Bondholder, and (ii) a default premium on the principal amount of such Convertible Bonds at 12% per annum (calculated for actual number of days elapsed from the date of issue of the Convertible Bonds until the day of the actual receipt of such default amounts by the Bondholders on a 365-day year).</p>

Cash settlement option: The conversion right of the Bondholders is subject to the Company's option to make cash payment to a converting Bondholder exercising its conversion right in lieu of the issue of Conversion Shares exercisable by the Company by giving a notice in writing to the converting Bondholder within two (2) business days after the date of the conversion notice is received by the Company. The Company shall be entitled to exercise the cash settlement option only in respect of the Shares that the Company cannot issue pursuant to the General Mandate due to its full utilization. In the exercise of this cash settlement option, the amount of cash to be paid by the Company to the Bondholders shall be arrived at by multiplying the number of Conversion Shares otherwise deliverable upon the exercise of the conversion right in respect of the Convertible Bonds, and in respect of which the Company has exercised the cash settlement option; and the closing price of the Shares on the last trading day preceding the date of the conversion notice.

Status of the Convertible Bonds: The Convertible Bonds constitute a direct, unconditional and unsecured obligation of the Company. The Convertible Bonds shall rank senior to the share capital of the Company from time to time, and at least rank pari passu with all other present and/or future unsecured and unsubordinated obligations of the Company.

Ranking of the Conversion Shares: The Conversion Shares, when allotted and issued, will rank pari passu in all respects with all existing Shares in issue at the conversion date.

Voting rights: The Convertible Bonds do not confer any voting rights at any meetings of the Company (other than meetings of the Bondholders).

Listing: No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other exchange.

Termination: The Subscriber may terminate the Subscription Agreement by giving notice in writing, no later than 4:00 p.m. on the business day prior to the Completion Date, to the Company if there is any breach of the Company's warranties or the Guarantor's warranties provided under the Subscription Agreement.

Conditions Precedent

Completion of the Subscription is subject to:

- (a) the Listing Committee of the Stock Exchange having granted the listing of, and the permission to deal in, the Conversion Shares;
- (b) all necessary regulatory filings, notifications and approvals to the relevant authorities to enter into the Subscription Agreement and the agreements and documents contemplated therein and perform the Company's obligations thereunder have been made and obtained, and such filings, notifications and approvals remain valid and effective;
- (c) since the date of the Subscription Agreement, there shall not have been a material adverse event;
- (d) the warranties, representations, undertakings and agreements of the Company and the Guarantor remaining true, accurate and not misleading in each case in all respects; and
- (e) the warranties, representations, undertakings and agreements of the Subscriber remaining true, accurate and not misleading in each case in all respects.

Conditions (c) and (d) are waivable by the Subscriber at its sole discretion and the condition (e) may be waived by the Company at its sole discretion. In the event that the above conditions are not fulfilled at or before 5:00 p.m. on 2 July 2014 (or such other date as the parties to the Subscription Agreement may agree in writing), the Subscription Agreement shall terminate and cease to have any legal effect.

Completion

Completion shall take place on the Completion Date. Upon Completion, the Company will issue the Convertible Bonds to the Subscriber.

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon Completion and assuming conversion in full of the maximum aggregate principal amount of Convertible Bonds, and assuming that there being no other change to the share capital and shareholding structure of the Company from the date of this announcement save for the allotment and issue of the Conversion Shares.

	As at the date of this announcement		Immediately upon Completion and assuming conversion in full of the maximum aggregate principal amount of Convertible Bonds	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Substantial Shareholder(s)				
Twin Star Global Limited (<i>Note</i>)	145,566,000	19.36	145,566,000	18.59
Public Shareholders				
The Subscriber	–	–	31,250,000	3.99
Other public shareholders	<u>606,354,877</u>	<u>80.64</u>	<u>606,354,877</u>	<u>77.42</u>
Total	<u>751,920,877</u>	<u>100.00</u>	<u>783,170,877</u>	<u>100.00</u>

Note:

Twin Star Global Limited is owned as to 50% by Mr. Chum Hon Sing, the vice-chairman and an executive Director and as to 50% by Mr. Wong Wai Sing, the chairman, the chief executive officer and executive Director. Mr. Chum Hon Sing and Mr. Wong Wai Sing are deemed to be interested in 145,566,000 Shares held by Twin Star Global Limited.

REASONS FOR AND BENEFITS OF ISSUE OF THE CONVERTIBLE BONDS

The Company is an investment holding company. The Group is engaged principally in provision of manufacture and trading of hygienic disposables for household and clinical uses; trading of Methyl Tertiary Butyl Ether (MTBE) products; wholesale and retail of household consumables.

The Board considers the issue of the Convertible Bonds represents an opportunity to raise additional funds to finance the potential acquisition activities as identified by the Group from time to time and for the general working capital purposes of the Group. The Board currently intends that the funds will be used by the Company as mentioned above and considers that

this will facilitate the overall development of the Group. The Directors consider that the issue of the Convertible Bonds is an appropriate means of raising additional and long term capital of the Company since it will not have an immediate dilution effect on the shareholding of the existing Shareholders.

The Directors (including the independent non-executive Directors) therefore are of the view that the terms and conditions of the Subscription Agreement (including the provision of the Guarantee) and the issue of the Convertible Bonds in connection thereto are determined after arm's length negotiations between the Company, the Subscriber and the Guarantor, and are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REFERRAL AGREEMENT

In consideration of the referral of the Subscriber by the Referrer for the Subscription, the Company has agreed with the Referrer to pay a referral fee representing 3% of the aggregate principal amount of the Convertible Bonds, amounting to HK\$3,000,000 on the Completion Date. The amount of referral fee was determined under arm's length negotiation between the Company and the Referrer. To the best knowledge, information and belief of the Directors after making all reasonable enquiries, the Referrer is an Independent Third Party.

USE OF PROCEEDS

The gross and net proceeds from the issue of the Convertible Bonds are HK\$100,000,000 and approximately HK\$96,200,000 respectively. On such basis, the net price of each Conversion Share is estimated to be approximately HK\$3.08. The Board intends to use the net proceeds for potential acquisition as identified by the Group from time to time and as general working capital purposes of the Group.

GENERAL MANDATE TO ISSUE THE CONVERSION SHARES

The new Conversion Shares will be allotted and issued pursuant to the General Mandate granted to the Board by the Shareholders at the annual general meeting of the Company held on 15 August 2013 to allot and issue up to 145,644,175 Shares, being 20% of the total nominal amount of the issued share capital of the Company as at the date of the passing of the resolution approving such grant.

As at the date of this announcement, the General Mandate has been utilized as to 23,700,000 Shares for the placing of new Shares completed on 6 June 2014. Save as the placing mentioned above, there are no other Shares or securities have been allotted and issued by the Directors under the General Mandate. Accordingly the remaining unutilized General

Mandate is 121,944,175 Shares. The Convertible Bonds and the Conversion Shares will be allotted and issued by the Company pursuant to such general mandate, and the subscription of the Convertible Bonds and the issue of the Conversion Shares by the Company are not subject to Shareholders' approval.

FUND RAISING ACTIVITY DURING THE PAST TWELVE MONTHS

The equity fund raising activity conducted by the Company in the past twelve months prior to the date of this announcement are set out below:

1. the placing of 23,700,000 new Shares at HK\$2.45 per placing Share completed on 6 June 2014 pursuant to a placing agreement dated 14 May 2014 entered into between Cheong Lee Securities Limited as the placing agent and the Company as issuer. The net proceeds of the placing after deducting all the placing commission and all relevant expenses are approximately HK\$55.9 million. The Company intends to apply the net proceeds for (i) funding potential acquisition activities as identified by the Group from time to time; and/or (ii) the general working capital of the Group. As at the date of this announcement, none of the net proceeds has been utilised.

Save as disclosed above, the Company had not conducted any other equity fund raising activities in the past twelve months immediately prior to the date of this announcement.

GENERAL

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein respectively. In addition, the Subscription Agreement may be terminated in certain circumstances.

As the Subscription Agreement may or may not be completed, the Convertible Bonds may or may not be issued and/or the Conversion Shares may or may not be issued or listed, the Shareholders and investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

“Board”	the board of Directors from time to time
“Bondholder(s)”	the person(s) who for the time being is a holder of the Convertible Bond(s)
“business day(s)”	a day (other than Saturday and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general business
“Company”	Newtree Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange (stock code: 1323)
“Completion”	Completion of the Subscription in accordance with the Subscription Agreement
“Completion Date”	the date of Completion, which shall be the third business day after all of the conditions precedent are fulfilled (or such later date as the parties to the Subscription Agreement may agree in writing)
“Convertible Bonds”	the HK\$100,000,000 guaranteed convertible bonds due 2016 to be issued by the Company to the Subscriber under the Subscription Agreement
“Conversion Price”	HK\$3.20, being the initial price for conversion of the Convertible Bonds, which is subject to adjustment pursuant to the terms and conditions of the Convertible Bonds
“Conversion Share(s)”	the Share(s) to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds

“Director(s)”	the director(s) of the Company from time to time
“General Mandate”	the general mandate granted to the Board by the Shareholders at the annual general meeting of the Company held on 15 August 2013
“Group”	the Company and its subsidiaries from time to time
“Guarantor”	Mr. Wong Wai Sing, the executive Director, chairman and chief executive officer of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Independent Third Party(ies)”	parties which are not connected persons of the Company (as defined in the Listing Rules) and are independent of and not connected with the Company and its connected persons
“Last Trading Day”	11 June 2014, being the last trading date for the Shares before the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date falling two years from the date of issue of the Convertible Bonds
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of PRC and Taiwan
“Referrer”	Golden Star Asia Limited, a company incorporated in Hong Kong and an Independent Third Party
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company, or if there has been a sub-division, consolidation, re-classification or re-construction of the share capital of the Company, shares forming part of the ordinary share capital of the Company of such other nominal amount as shall result from such sub-division, consolidation, re-classification or re-construction

“Shareholder(s)”	holders of the issued Shares from time to time
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscriber”	Fulledge Limited (溢鋒有限公司), a company incorporated in the British Virgin Islands
“Subscription”	the subscription of the Convertible Bonds pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement entered into between the Company, the Subscriber and the Guarantor on 11 June 2014 pursuant to which the Subscriber has agreed to subscribe for the Convertible Bonds in the principal amount of HK\$100,000,000, and the Guarantor has unconditionally and irrevocably guaranteed the Company’s obligations under the Subscription Agreement and the Convertible Bonds
“Substantial Shareholder(s)”	has the meanings ascribed under the Listing Rules
“VMS Investment Group”	VMS Investment Group Limited and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By Order of the Board
Newtree Group Holdings Limited
Mr. Wong Wai Sing

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 11 June 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.