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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)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Financial Adviser to the Company



INCUB Corporate Finance Limited

Placing Agent

CheonG Lee

昌利證券
昌利期貨

PLACING OF NEW SHARES

On 14 May 2014 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Placing Agent conditionally agreed to place, on a best effort basis, to not less than six Placées for up to 31,840,000 new Shares at a price of HK\$2.450 per Placing Share.

The Placing Price of HK\$2.450 per Placing Share represents:

- (a) a discount of approximately 12.19% to the closing price of HK\$2.790 per Share as quoted on the Stock Exchange on 14 May 2014, being the date of the Placing Agreement; and

- (b) a discount of approximately 12.50% to the average of the closing prices of approximately HK\$2.800 per Share as quoted on the Stock Exchange for the last five full trading days of the Shares immediately prior to the date of the Placing Agreement.

The maximum 31,840,000 Placing Shares represent approximately 4.37% of the existing issued share capital of the Company of 728,220,877 Shares as at the date of this announcement and approximately 4.19% of the Company's entire issued share capital as enlarged after the Placing. The net proceeds from the Placing of approximately HK\$75.9 million (assuming the Placing Shares are fully placed and after deducting the placing commission and all relevant expenses) will be used 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.

The issue of the Placing Shares will be made under the general mandate granted to the Directors pursuant to the resolutions of the Shareholders passed at the annual general meeting of the Company held on 15 August 2013.

The Placing is conditional upon, among other things, the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Placing Shares. If such condition is not fulfilled, the Placing will not proceed.

Shareholders and potential investors should note that the completion of the Placing is subject to the fulfillment of conditions precedent under the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

Date

14 May 2014 (after trading hours)

Parties

- (a) the Company; and
- (b) the Placing Agent

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

Placees

The Placing Shares will be placed to not less than six Placees and who and whose ultimate beneficial owners will be Independent Third Parties. It is expected that none of the Placees will become a Substantial Shareholder immediately after completion of the Placing.

Number of Placing Shares

Up to 31,840,000 new Shares will be placed by the Placing Agent on a best effort basis. Assuming the Placing Shares are fully placed, the Placing Shares represent approximately 4.37% of the existing issued share capital of the Company of 728,220,877 Shares as at the date of this announcement and approximately 4.19% of the Company's entire issued share capital as enlarged by the Placing. The maximum aggregate nominal value of the Placing Shares will be HK\$318,400.

Placing Price

The Placing Price of HK\$2.450 per Placing Share represents:

- (a) a discount of approximately 12.19% to the closing price of HK\$2.790 per Share as quoted on the Stock Exchange on 14 May 2014, being the date of the Placing Agreement; and
- (b) a discount of approximately 12.50% to the average of the closing prices of approximately HK\$2.800 per Share as quoted on the Stock Exchange for the last five full trading days of the Shares immediately prior to the date of the Placing Agreement.

The Placing Price was arrived at, after arm's length negotiation between the Company and the Placing Agent on the date (after trading hours) of the Placing Agreement with reference to the recent trading price of the Shares on the Stock Exchange. The Directors (including the independent non-executive Directors) consider that the Placing Price is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Placing Commission

The Placing Agent will receive a placing commission of 2.50% on the gross proceeds of the actual number of the Placing Shares being placed.

General Mandate

The allotment and issue of the Placing Shares will be made under the general mandate granted to the Directors pursuant to the resolutions of the Shareholders passed at the annual general meeting of the Company held on 15 August 2013 to allot, issue and deal with up to 20% of the issued share capital of the Company as at the date of the annual general meeting, which is 145,644,175 Shares. The 31,840,000 Placing Shares to be allotted and issued will utilise approximately 21.86% of the said general mandate and no Share has ever been issued under the said general mandate. As such, no Shareholders' approval is required for the allotment and issue of the Placing Shares.

Ranking of Placing Shares

The Placing Shares, when issued and fully paid, shall rank *pari passu* in all respects among themselves and with the Shares in issue at the time of allotment and issue of the Placing Shares.

Conditions Precedent

The Placing is conditional upon the following conditions being fulfilled on or before the Long Stop Date:

- (a) the Listing Committee of the Stock Exchange having granted or agreeing to grant the listing of, and permission to deal in, the Placing Shares; and
- (b) the Placing Agreement not having been terminated in accordance with its terms.

Application will be made to the Stock Exchange for approval for the granting of the listing of and permission to deal in the Placing Shares. The Placing is not subject to Shareholders' approval.

Completion

Completion shall take place at 4:00 p.m. (Hong Kong time) on the Completion Date (or such other date and time as may be agreed by the parties) at the principal place of business of the Placing Agent (or such other place to be agreed between the Placing Agent and the Company).

If the conditions precedent of the Placing are not fulfilled by 5:00 p.m. on the Long Stop Date, the Placing Agreement shall terminate and neither the Placing Agent nor the Company will have any claim against the other in respect of the Placing save for any antecedent breach of the Placing Agreement.

Termination of the Placing Agreement

The Placing Agent shall have the right to terminate the Placing Agreement by notice in writing given to the Company at any time prior to 4:00 p.m. (Hong Kong time) on the Completion Date if any of the following develops, occurs or comes into force:

- (a) there shall have come to the notice of the Placing Agent any material breach of, or any event rendering untrue or incorrect in any material respect, any of the representations and warranties of the Company contained in the Placing Agreement or any failure to perform any of the Company's undertakings in the Placing Agreement;
- (b) any new law, rule or regulation or any change in existing laws (including common law), rules or regulations (or the juridical interpretation thereof) or other occurrence of any nature whatsoever which, in the reasonable opinion of the Placing Agent, are or may be materially adverse to the business or financial position of the Company or any other member of the Group taken as a whole or otherwise makes it inexpedient or inadvisable to proceed with the Placing;
- (c) any event or circumstance (whether or not forming part of a series of events or circumstances occurring or continuing before, on and/or after the date of the Placing Agreement) or material change or deterioration in local, national, international, political, military, financial, economic, market or trading conditions or any other conditions (whether or not ejusdem generis with any of the foregoing) in any part of the world in which the Company or any other member of the Group carries on business which, in the reasonable opinion of the Placing Agent, is or may be materially adverse to the business or financial position of the Company or any other member of the Group taken as a whole or otherwise makes it inexpedient or inadvisable to proceed with the Placing; or
- (d) any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange.

In the event that the Placing Agent terminates the Placing Agreement, all obligations of each of the parties under the Placing Agreement shall cease and determine and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the Placing Agreement except for any antecedent breach of any obligation under the Placing Agreement.

REASONS FOR ENTERING INTO THE PLACING AGREEMENT AND USE OF PROCEEDS

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

The Directors have considered various fund raising methods and believe that under the prevailing market conditions, the Placing represents an opportunity for the Group to raise additional funds to finance the potential acquisition activities as identified by the Group from time to time and for its future developments. In addition, the Placing will broaden the Company's shareholder base and strengthen its capital base and working capital position.

Assuming all the Placing Shares are successfully placed by the Placing Agent, the gross proceeds from the Placing will be approximately HK\$78.0 million. The net proceeds (assuming the Placing Shares are fully placed and after deducting the placing commission and all relevant expenses), will be approximately HK\$75.9 million, representing a net issue price of approximately HK\$2.382 per Placing Share. 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.

Accordingly, the Directors (including the independent non-executive Directors) consider that the terms of the Placing Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITIES DURING THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activity in the past 12 months immediately before the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purpose only, the shareholding structure of the Company as at the date of this announcement and immediately upon completion of the Placing assuming all the Placing Shares are fully placed is and will be as follows:–

	As at the date of this announcement		Immediately upon completion of the Placing assuming all the Placing Shares are fully placed	
	<i>Number of Shares</i>	<i>Approx %</i>	<i>Number of Shares</i>	<i>Approx %</i>
Substantial Shareholder(s)				
Twin Star Global Limited (<i>Note</i>)	145,566,000	19.99	145,566,000	19.15
Public Shareholders				
The Placees	–	–	31,840,000	4.19
Other public shareholders	<u>582,654,877</u>	<u>80.01</u>	<u>582,654,877</u>	<u>76.66</u>
Total	<u>728,220,877</u>	<u>100.00</u>	<u>760,060,877</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 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.

GENERAL

Shareholders and potential investors should note that the completion of the Placing is subject to the fulfillment of conditions precedent under the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

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
“Business Day(s)”	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“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
“Completion Date”	a date on which the Placing is completed in accordance with the terms and conditions of the Placing Agreement, which shall be within four Business Days after the day on which all the conditions precedent under the Placing Agreement are fulfilled
“Director(s)”	the director(s) of the Company from time to time
“Group”	the Company and its subsidiaries from time to time
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Long Stop Date”	6 June 2014 or such later date as the Company and the Placing Agent may agree in writing
“Placee(s)”	any professional, institutional or other investor independent of and not connected with the Company, the connected persons of the Company and their respective associates procured by or on behalf of the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agreement
“Placing”	the placing of the Placing Shares by the Company, through the Placing Agent, pursuant to the Placing Agreement
“Placing Agent”	Cheong Lee Securities Limited, a licensed corporation to carry on business in Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities) and Type 5 (advising on futures contracts) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Placing Agreement”	the Placing Agreement dated 14 May 2014 entered into between the Placing Agent and the Company in relation to Placing
“Placing Price”	HK\$2.450 per Placing Share
“Placing Share(s)”	a maximum of 31,840,000 new Shares to be placed pursuant to the Placing Agreement
“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
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holders of the issued Shares from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Substantial Shareholder(s)” has the meanings ascribed under the Listing Rules

“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, 14 May 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.