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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)**

**SHARE TRANSACTION**  
**IN RELATION TO THE ACQUISITION OF**  
**THE ENTIRE EQUITY INTERESTS IN**  
**TIGER GLOBAL GROUP LIMITED**

**Financial adviser to the Company**



**INCUCorporate Finance Limited**

**THE ACQUISITION**

The Board is pleased to announce that on 16 September 2014 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendors, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares at a total consideration of HK\$81,000,000. The Sale Shares represent the entire issued share capital of the Target Company.

The consideration shall be satisfied in full by the Purchaser by procuring the Company to allot and issue an aggregate of 33,360,790 Consideration Shares at the Issue Price and credited as fully paid upon Completion to the Vendors. The Consideration Shares represent approximately 4.44% of the existing issued share capital of the Company and approximately 4.25% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

### **IMPLICATION OF THE LISTING RULES**

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition are less than 5% and the consideration of the Acquisition includes the issue of the Consideration Shares, the Acquisition constitutes a share transaction for the Company under Chapter 14 of the Listing Rules and is subject to the announcement requirement.

**WARNING: As the Acquisition Agreement is subject to a number of conditions precedent, the Acquisition Agreement may or may not become unconditional or be completed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

### **THE ACQUISITION**

Reference is made to the announcement of the Company dated 15 August 2014 in relation to the preliminary negotiation for several potential acquisitions.

The Board is pleased to announce that on 16 September 2014 (after trading hours), the Purchaser, a direct wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendors, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares at a total consideration of HK\$81,000,000. The Sale Shares are legally and beneficially owned as to 40%, 40% and 20% by the First Vendor, the Second Vendor and the Third Vendor respectively. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendors are Independent third parties.

### **Consideration**

The consideration of HK\$81,000,000 shall be settled by the Purchaser by procuring the Company to allot and issue an aggregate of 33,360,790 Consideration Shares upon Completion, in which 13,344,316 Consideration Shares, 13,344,316 Consideration Shares and 6,672,158 Consideration Shares will be issued to the First Vendor, the Second Vendor and the Third Vendor respectively (or their respective nominees).

The consideration of the Acquisition represents a price-to-earnings multiple of 9 times of the Profit Guarantee (as disclosed in the section headed “**Profit Guarantee**” below). The Directors (including the non-executive Directors) consider the price-to-earnings multiple of 9 times which falls within price-to-earnings multiple of the comparable companies in the sales of jewelry and watches business listed on the Stock Exchange is fair and reasonable.

The consideration of the Acquisition was determined after arm’s length negotiation among the Company and the Vendors, having taken into account (i) the price adjustments mechanism under the Profit Guarantee; (ii) the price-to-earnings multiple of comparable companies listed on the Stock Exchange engaging in similar business; and (iii) the future prospects of the Target Company. The Board considers that the terms and conditions of the Acquisition Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Profit Guarantee**

Pursuant to the Acquisition Agreement, each of the Vendors have jointly and severally covenanted and guaranteed to the Purchaser that the audited consolidated net profit after taxation and before all non-cash items of the Target Company (including the net profits of Kwan Lun attributable to the Target Company as shareholder) based on the financial statements prepared in accordance with Hong Kong Financial Reporting Standards and to be audited by auditors approved by the Purchaser, for the financial year ending 31 December 2015 (the “**Actual Net Profit**”) shall not be less than HK\$9,000,000 (the “**Profit Guarantee**”).

In the event the Actual Net Profit is less than the Profit Guarantee, the Vendors shall compensate the Purchaser in cash, on a dollar for dollar basis, calculated in the following manner:

$$(\text{Profit Guarantee} - \text{Actual Net Profit}) \times 9$$

For the avoidance of doubt, if there is consolidated loss for the Target Company for the financial year ending 31 December 2015, the Actual Net Profit shall be deemed as zero and the maximum amount of compensation is HK\$81,000,000.

The Profit Guarantee was arrived at after arm’s length negotiation between the Purchaser and the Vendors with reference to the business prospects and business development of the Target Group.

## **Conditions precedent**

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

- (a) the Purchaser being reasonably satisfied with the results of the due diligence review of the assets, liabilities, operations and affairs of the Target Group and Kwan Lun to be conducted as it may reasonably consider appropriate;
- (b) all necessary consents, licences and approvals required to be obtained on the part of the Purchaser and the Company in respect of the Acquisition Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;
- (c) the listing committee of the Stock Exchange granting the listing of and permission to deal in the Consideration Shares;
- (d) the warranties provided by the Vendors under the Acquisition Agreement remaining true, accurate and complete in all respects; and
- (e) the Purchaser being satisfied that there has not been any change or effect which has a material and adverse effect on the financial position, business or property, results of operations in respect of any member of the Target Group and Kwan Lun since the date of the Acquisition Agreement.

Conditions (a), (d) and (e) above are waivable by the Purchaser under the Acquisition Agreement while all the other conditions are incapable of being waived. The Purchaser has no current intention to waive such conditions as at the date of this announcement.

If any of the above conditions is not fulfilled or waived (as the case may be) on or before 31 October 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).

## **Completion**

Completion shall take place within 5 Business Days after all the conditions of the Acquisition Agreement have been fulfilled or waived or such later date as may be agreed between the Purchaser and the Vendors.

Upon Completion, the Company will be interested in the entire equity interests in the Target Company. Therefore the Target Company and Cosi Moda will be accounted for as subsidiaries of the Company, while Kwan Lun, a company owned as to 40% by the Target Company will be accounted for as an associated company of the Company.

Upon completion, the Group will nominate representatives to form the majority board members of each of the Target Company and Cosi Moda, and has the rights to appoint one board representative to the board of Kwan Lun.

## **ISSUE OF CONSIDERATION SHARES**

The Consideration Shares will be allotted and issued at HK\$2.428 per Share, credited as fully paid. Such issue price was determined by the Board after taking into consideration of the prevailing Share prices and represents (i) a discount of approximately 6.97% to the closing price of HK\$2.61 per Share as quoted on the Stock Exchange on 16 September 2014, being the date of the Acquisition Agreement; and (ii) a discount of approximately 9.81% to the average of the closing prices of HK\$2.692 per Share as quoted on the Stock Exchange for the five trading days immediately prior to the date of the Acquisition Agreement. The Directors consider that the issue price of the Consideration Shares is fair and reasonable.

The Consideration Shares represent approximately 4.44% of the existing issued share capital of the Company and approximately 4.25% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue. The Consideration Shares will be allotted and issued pursuant to the General Mandate, under which the Directors are allowed to issue and allot up to 150,384,175 Shares, therefore it is not subject to the shareholders' further approval. As at the date of this announcement, no Shares have been issued and allotted under the General Mandate.

Application will be made by the Company to the listing committee for the listing of, and permission to deal in the Consideration Shares.

## **CHANGES IN SHAREHOLDING STRUCTURE**

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement and prior to Completion; and (ii) immediately upon Completion and the allotment and issue of the Consideration Shares.

	As at the date of this announcement		Immediately upon Completion and the allotment and issue of the Consideration Shares	
	Number of Shares	Approx. %	Number of Shares	Approx. %
<b>Substantial Shareholders</b>				
Twin Star Global Limited ( <i>Note 1</i> )	118,788,000	15.80	118,788,000	15.13
Mr. Wong Wai Sing (“ <b>Mr. Wong</b> ”)	1,500,000	0.20	1,500,000	0.19
<b>The Vendors</b>				
The First Vendor	–	–	13,344,316	1.70
The Second Vendor	–	–	13,344,316	1.70
The Third Vendor	–	–	6,672,158	0.85
Sub-total			33,360,790	4.25
Public Shareholders	631,632,877	84.00	631,632,877	80.43
<b>Total</b>	<b>751,920,877</b>	<b>100.00</b>	<b>785,281,667</b>	<b>100.00</b>

*Note 1:* Twin Star Global Limited, a company incorporated in the British Virgin Islands with limited liability, is owned as to 50% by Mr. Chum Hon Sing, the joint 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 118,788,000 Shares held by Twin Star Global Limited.

## INFORMATION ON THE TARGET GROUP AND KWAN LUN

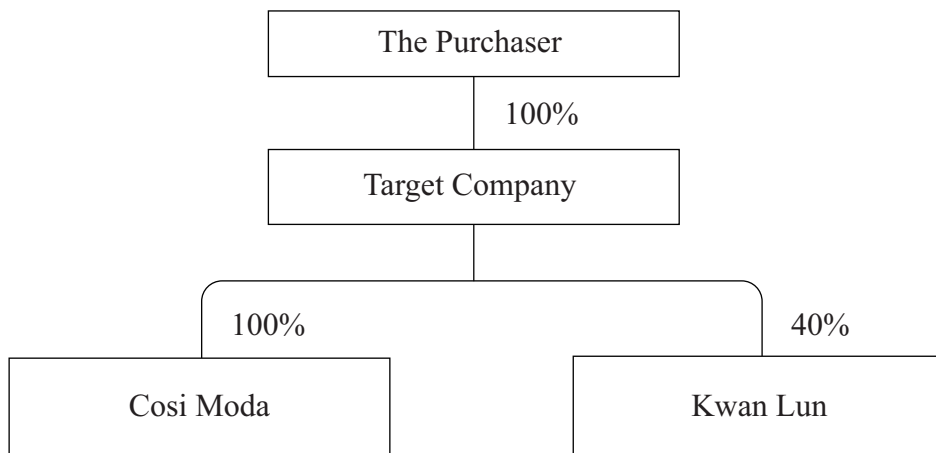
The Target Company is a company incorporated in the British Virgin Islands on 15 July 2014, with limited liability and is principally engaged in investment holding. As at the date of the Acquisition Agreement, the Target Company is owned as to 40% by the First Vendor, 40% by the Second Vendor and 20% by the Third Vendor.

As at the date of Acquisition Agreement, the Target Company is interested in 100% equity interests in Cosi Moda and 40% equity interests in Kwan Lun, both are companies incorporated in Hong Kong with limited liability. The remaining 60% equity interest of Kwan Lun is beneficially owned as to 30% and 30% by the First Vendor and the Second Vendor respectively.

The Target Group is principally engaged in the sales and distribution of a wide variety of high quality and trendy jewelries and watches made with precious metals (such as sterling silver, k-gold, rose gold and stainless steel) under the brand “” (the “**Trademark**”) through consignment and distribution agents. The Target Group’s products are priced and targeted for the middle market and has gained its brand recognition in Southeast Asia market. Currently, Kwan Lun is the legal owner of the Trademark, which is registered in the PRC, Hong Kong, Taiwan and Italy for the use in its jewelry and watches. Kwan Lun has granted Cosi Moda the right to design, distribute and sell “Cosi Moda” branded products for the region in the PRC.

In the future, the Target Group will be principally engaged in sales and distribution of the trademarked jewelry and watches in the international market (other than the PRC market which will be carried out under Kwan Lun). It will develop its own online sales platform, through which international customers will be able to purchase various “Cosi Moda” branded products. In addition, the Target Group will expand its business into other markets by aligning with other renowned and competitive agents, and will also explore the opportunities to diversify its product types.

The group structure of the Target Group immediately upon Completion is as follows:



## **FINANCIAL INFORMATION OF THE TARGET GROUP AND KWAN LUN**

Based on the information provided by the Vendors, the unaudited net loss of Target Company since 15 July 2014 (date of incorporation) to 31 July 2014 was HK\$10,000 and the unaudited net liability value of Target Company as at 31 July 2014 was HK\$10,000.

Based on the information provided by the Vendors, the unaudited net losses after tax of Cosi Moda for the two years ended 31 December 2012 and 2013 were approximately HK\$3,000 and approximately HK\$4,000 respectively, and the unaudited net profit of Cosi Moda for the 7 months ended 31 July 2014 was approximately HK\$1.03 million. The unaudited net asset value of Cosi Moda as at 31 July 2014 was approximately HK\$1.02 million.

Based on the information provided by the Vendors, the audited net profits after tax of Kwan Lun for the year ended 31 March 2013 was approximately HK\$1.85 million and the unaudited net profits of Kwan Lun for the year ended 31 March 2014 and the 4 months ended 31 July 2014 were approximately HK\$1.01 million and approximately HK\$0.4 million respectively. The unaudited net asset value of Kwan Lun as at 31 July 2014 was approximately HK\$6.30 million.

The Target Group will be regarded as insignificant subsidiaries upon completion pursuant to Rule 14A.09 of the Listing Rules.

## **REASONS FOR AND BENEFITS OF 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.

The Company believes that the Acquisition offers itself a great opportunity to diversify its operations and broaden its source of revenue, and promote the Company's transformation to a comprehensive player in different sectors that are of bright prospects. As part of the business plan of the Company, the Board will continue to explore business opportunities which could bring in benefit to the Company and its shareholders.

Having taken into account (i) the brand recognition and product market that will bring upside potential for the Target Group; (ii) the provision of gradual recovery of global economy that will bring increasing demand for watches, jewelry and accessories; and (iii) the Profit Guarantee that have shown a promising prospect of the future profitability of the Target Group, the Board is of the view that the business to be acquired will help the Company to enhance its profit margins and competitiveness and represents a good opportunity for the Group to diversify its business.



In light of the above, the Directors consider that the terms of the Acquisition are fair and reasonable and are in the interests of the Group and its shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition are less than 5% and the consideration of the Acquisition includes the issue of the Consideration Shares, the Acquisition constitutes a share transaction for the Company under Chapter 14 of the Listing Rules and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

**WARNING: As the Acquisition Agreement is subject to a number of conditions precedent, the Acquisition Agreement may or may not become unconditional or be completed, the Consideration Shares may or may not be issued. 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:

“Acquisition”	the acquisition of the entire issued share capital in the Target Company by the Purchaser pursuant to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement dated 16 September 2014 entered into among the Purchaser and the Vendors for the Acquisition
“Board”	the board of Directors from time to time
“Business Day(s)”	a day (other than a Saturday, a Sunday or a public holiday) on which licensed banks are generally open for business in Hong Kong 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”	the completion of the Acquisition

“Cosi Moda”	Cosi Moda International Limited, a company incorporated in Hong Kong, a direct wholly-owned subsidiary of the Target Company as at the date of this announcement
“Director(s)”	the director(s) of the Company from time to time
“First Vendor”	Mr. So Siu Kwan, being an Independent Third Party
“General Mandate”	the general mandate granted to the Board by the Shareholders at the extraordinary general meeting of the Company held on 7 August 2014
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Kwan Lun”	Kwan Lun Precision Jewelry Limited, a company incorporated in Hong Kong and the entire issued shares of which are legally and beneficially owned as to 40% by the Target Company, 30% by the First Vendor and 30% by the Second Vendor as at the date of this announcement
“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
“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
“Purchaser”	Star Guardian Holdings Limited, a company incorporated in the British Virgin Islands, a direct wholly-owned subsidiary of the Company
“Sale Shares”	an aggregate of 150 shares of the Target Company, representing the entire issued share capital of the Target Company

“Second Vendor”	Ms. Chan Sze Ching, being an Independent Third Party
“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
“Target Company”	Tiger Global Group Limited, a company incorporated in the British Virgin Islands and the entire issued shares of which are legally and beneficially owned as to 40% by the First Vendor, 40% by the Second Vendor and 20% by the Third Vendor as at the date of this announcement
“Target Group”	together, the Target Company and its subsidiary from time to time
“Third Vendor”	Mr. Chan Hin Wing James, being an Independent Third Party
“Vendors”	together, the First Vendor, the Second Vendor and the Third Vendor
“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 and Executive Director*

Hong Kong, 16 September 2014

*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.*