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Newtree Group Holdings Limited

友川集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1323)

DISCLOSEABLE TRANSACTION IN RELATION TO DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF AND SHAREHOLDER'S LOAN IN TREASURE PROFIT LIMITED

THE DISPOSAL

The Board is pleased to announce that on 20 March 2019 (after trading hours), the Vendor, a direct wholly-owned subsidiary of the Company, and the Guarantor entered into the Disposal Agreement with the Purchaser, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Share, representing the entire issued share capital of the Target Company, and the Shareholder's Loan at the Consideration of HK\$155,000,000. The Target Company is principally engaged in property investment in Hong Kong and is the sole legal and beneficial owner of the Property.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal exceed 5% but are below 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

THE DISPOSAL

The Board is pleased to announce that on 20 March 2019 (after trading hours), the Vendor, a direct wholly-owned subsidiary of the Company, and the Guarantor entered into the Disposal Agreement with the Purchaser, pursuant to which the Vendor agreed to sell as beneficial owner and the Purchaser agreed to purchase the Sale Share, representing the entire issued share capital of the Target Company, and the Shareholder's Loan.

THE DISPOSAL AGREEMENT

Date: 20 March 2019 (after trading hours)

Parties (1) the Vendor, a direct wholly-owned subsidiary of the Company, as vendor;

(2) the Purchaser, as purchaser; and

(3) the Guarantor, as the Vendor's guarantor.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is a third party independent of and not connected with the Company and its connected persons.

Subject matter of the Disposal Agreement

Pursuant to the Disposal Agreement, the Vendor shall sell as beneficial owner and the Purchaser shall purchase the Sale Share and the Shareholder's Loan. The sale and purchase of the Sale Share and assignment of the Shareholder's Loan together form an integral transaction and therefore are inter-conditional.

The Sale Share, representing the entire issued share capital of the Target Company, will be sold with all the benefits thereof together with all rights attached thereto free from all encumbrances and third party rights. The Target Company, which is principally engaged in property investment in Hong Kong and is the sole legal and beneficial owner of the Property.

The Shareholder's Loan, representing all the shareholder's loan owing to the Vendor by the Target Company as at Completion Date, will be sold with all the benefits thereof together with all rights attached thereto free from all encumbrances and third party rights. As at 31 January 2019, the Shareholder's Loan amounted to approximately HK\$63,129,000. The principal amount of the Shareholder's Loan is non-interest bearing.

The Property

The Property is at 23rd Floor (including lavatories), Far East Consortium Building, No.121 Des Voeux Road Central, Hong Kong.

The Property is a commercial property with a total gross floor area of approximately 7,316 square feet. The Property is currently leased to various tenants who are all third parties independent of and not connected with the Company and its connected persons at an aggregated monthly rent of approximately HK\$200,000 (exclusive of government rent, rates and management fees).

Consideration

The Consideration of HK\$155,000,000 shall be payable by the Purchaser to the Vendor by way of cashier order(s) or solicitors' cheque(s) in the following manner:

- (a) a Deposit of HK\$15,500,000 payable within 3 days after signing of the Disposal Agreement; and
- (b) the balance of HK\$139,500,000 shall be payable on the Completion Date.

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms after considering the recent property market conditions in Hong Kong.

Conditions precedent

Completion is conditional upon the fulfillment of the following conditions precedent, save to the extent waived by the Purchaser in writing before Completion:

- (i) the Purchaser having completed the due diligence investigation on the business, financial, legal and all other aspects of the Target Company and reasonably satisfied with the results thereof;
- (ii) the Vendor, shall at the Vendor's own cost, having procured the Target Company to prove and give a good title to the Property in accordance with sections 13 and 13A of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong);
- (iii) all the representations, undertakings and warranties given by the Vendor and the Guarantor under the Disposal Agreement remaining true, accurate, correct and complete and not misleading in all respects up to Completion; and
- (iv) the parties to the Disposal Agreement agree to the form of the Deed of Assignment and the Deed of Indemnity.

If any of the conditions set out above is not fulfilled by the Vendor to the reasonable satisfaction of the Purchaser (or waived by the Purchaser) on or before the Completion Date (other than due to the delay which is caused as a result of the default of the Purchaser), the Purchaser shall be entitled to cancel the transaction under the Disposal Agreement and in such event the Vendor shall forthwith return to the Purchaser the Deposit and other sums of moneys which have been paid by the Purchaser (without interest), and upon the Purchaser having received the Deposit and other sums of moneys refunded by the Vendor the Disposal Agreement shall become null and void and of no further legal effect and the parties thereto shall release each other from all obligations and liabilities under the Disposal Agreement save in respect of claims arising out of any antecedent breach of the Disposal Agreement by any one of the parties.

Should the Purchaser fail to complete the purchase of the Sale Share and the Shareholder's Loan in accordance with the terms and conditions of the Disposal Agreement, the Vendor shall be entitled to seek against the Purchaser for specific performance of his obligations under the Disposal Agreement.

Should the Vendor fail to complete the sale of the Sale Share and the Shareholder's Loan in accordance with the terms and conditions of the Disposal Agreement, the Purchaser shall be entitled to seek against the Vendor for specific performance of its obligations under the Disposal Agreement.

Completion

Completion shall take place on the Completion Date after the conditions have been fulfilled or waived (as the case may be).

Guarantee provided by the Vendor

Pursuant to the Disposal Agreement, the Guarantor, as primary obligor and not merely as surety, has unconditionally and irrevocably guaranteed to the Purchaser, and shall, on the Completion Date, unconditionally and irrevocably guarantee to the Purchaser and the Target Company; (i) the due observance and performance by the Vendor of all the agreements, obligations, commitments and undertakings contained in the Disposal Agreement on the part of the Vendor to be observed and performed; (ii) that the warranties given or provided by the Vendor to the Purchaser and/or the Target Company under the Disposal Agreement are true, accurate and correct; and indemnify the Purchaser and/or the Target Company and keep the Purchaser and/or the Target Company fully indemnified against all losses, costs, expenses and damages whatsoever which may be sustained by the Purchaser and/or the Target Company by reason of or in connection with any failure of the Vendor to perform any of the its obligations under the Disposal Agreement or breach of any of the warranties.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability. It is principally engaged in property investment in Hong Kong and is the sole legal and beneficial owner of the Property. Save for the Property, the Target Company does not have any interests in any other real estate properties.

Set out below is the net profit before and after tax of the Target Company for the two years ended 31 March 2017 and 2018 based on its audited financial statements and for the period from 1 April 2018 to 31 January 2019 extracted from its latest management account which were prepared in accordance with Hong Kong Financial Reporting Standards:

	For the period from 1 April 2018 to 31 January 2019 HK\$'000 (unaudited)	For the year ended 31 March 2018 HK\$'000 (audited)	2017 HK\$'000 (audited)
Net profit before and after tax	1,713	1,516	1,114

As at 31 January 2019, the unaudited net assets of the Target Company were approximately HK\$44,974,000. The net amount due by Target Company to the Vendor amounted to approximately HK\$63,129,000.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Upon Completion, the Group will cease to be a subsidiary of the Company and its financial results will not be consolidated into the Company's consolidated financial statements.

Based on the preliminary assessment on the unaudited financial information of the Target Company, the Group will record a gain of approximately HK\$8,000,000 as a result of the Disposal. The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to final audit to be performed by the auditors of the Company.

The proceeds from the Disposal will be applied as general working capital of the Group, to reduce the Group's borrowings and for future potential investment opportunities as may be identified from time to time.

REASONS FOR AND BENEFIT OF THE DISPOSAL

The Group is principally engaged in (i) wholesale and retail of household consumables; (ii) digital technology business; (iii) coal trading business; (iv) education business; and (v) provision of money lending services.

Having taken into account the current volatile property market conditions, the Directors consider that the Disposal provides an opportunity for the Group to realise a capital gain and generate additional financial resources for the Group. After the Disposal, the Group will have additional working capital for existing operations of the Group and/or for future investments if opportunities arise. Accordingly, the Directors are of the view that the terms of the Disposal Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal exceeds 5% but are below 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Board”	the board of Directors
“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 Disposal
“Completion Date”	on or before 31 March 2019
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the sum of HK\$155,000,000 payable by the Purchaser to the Vendor for the Disposal under the Disposal Agreement
“Deed of Assignment”	the deed of assignment of the Shareholder’s Loan to be executed by the Vendor, the Target Company and the Purchaser upon Completion
“Deed of Indemnity”	the deed of indemnity to be executed by the Vendor and the Guarantor in favour of the Purchaser undertaking to settle all liabilities (with a limited amount of up to HK\$5,000,000 only but not further otherwise) of the Target Company from the date of incorporation of the Target Company up to the Completion Date
“Deposit”	a sum of HK\$15,500,000 made by the Purchaser to the Vendor pursuant to the terms of the Disposal Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Share and the Shareholder’s Loan by the Vendor to the Purchaser pursuant to the terms of the Disposal Agreement
“Disposal Agreement”	the Disposal Agreement dated 20 March 2019 and entered into between the Vendor, the Guarantor and the Purchaser in relation to the Disposal
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Wong Wai Sing, the executive Director and the chairman of the Board
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange

“Property”	23rd Floor (including lavatories), Far East Consortium Building, No.121 Des Voeux Road Central, Hong Kong
“Purchaser”	Mr. Lam Ho Laam
“Sale Share”	one ordinary share in the share capital of the Target Company, representing the entire issued share capital of the Target Company
“Shareholder’s Loan”	all such sum of money advanced by way of loan by the Vendor to the Target Company and due and owing by the Target Company to the Vendor as at the Completion Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Treasure Profit Limited, a company incorporated in Hong Kong with limited liability, which is wholly-owned by the Vendor as at the date of this announcement and is the sole legal and beneficial owner of the Property
“Vendor”	Starry Zone Global Limited, a company incorporated in the British Virgin Islands with limited liability, a direct wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar, 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, 20 March 2019

As at the date of this announcement, the executive Directors are Mr. Wong Wai Sing, Mr. Chan Kin Lung, Mr. Lee Chi Shing, Caesar and Mr. Wong Jeffrey; and the independent non-executive Directors are Mr. Kwok Kam Tim, Dr. Hui Chik Kwan and Mr. Tso Ping Cheong, Brian.