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Tree Holdings Limited
齊家控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8395)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

The board of directors (the “**Board**”) of Tree Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 September 2020 (the “**Interim Results**”). This announcement contains the full text of the interim report of the Group for the six months ended 30 September 2020 and the contents were prepared in accordance with the relevant disclosure requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”). The Interim Results have been reviewed by the Board and the audit committee of the Board.

This results announcement is published on the websites of the Company (www.treeholdings.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 September 2020 will be delivered to shareholders of the Company and will also be available at the abovementioned websites in due course.

By order of the Board
Tree Holdings Limited
TONG Tang Joseph
Chairman and Chief Executive Officer

Hong Kong, 11 November 2020

As at the date of this announcement, the Board comprises Mr. TONG Tang Joseph, Ms. Mary Kathleen BABINGTON, and Mr. TSUI Wing Tak as executive Directors; Mr. BIAN Dahai as non-executive Director and Mr. YEUNG Man Chung Charles, Mr. TSANG Wai Yin, and Mr. SIT Hoi Wah Kenneth as the independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Listed Company Announcements” page for at least 7 days from the date of its posting and on the Company’s website at www.treeholdings.com.

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Main Board of the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, 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 report.

*This report, for which the directors (the “**Directors**”) of TREE Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company and its subsidiaries (collectively, the “**Group**”). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

FINANCIAL HIGHLIGHT

- The Group's revenue amounted to approximately HK\$43.8 million for the six months ended 30 September 2020, representing a decrease of approximately HK\$2.9 million or 6.2% as compared with the six months ended 30 September 2019.
- The profit and total comprehensive income of the Group was approximately HK\$6.4 million for the six months ended 30 September 2020, representing an increase of approximately HK\$1.7 million or 35.8% as compared with the six months ended 30 September 2019.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2020.

INTERIM RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries for the six months ended 30 September 2020 (the “**Relevant Period**”), which has been reviewed by the audit committee of the Company, together with the unaudited comparative figures for the corresponding period in 2019, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 September 2020

		Six months ended	
		30 September	
		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	43,783	46,695
Cost of sales		<u>(12,889)</u>	<u>(13,685)</u>
Gross Profit		30,894	33,010
Other income	4	2,411	455
Selling and marketing expenses		(18,055)	(19,142)
Administrative expenses		(7,862)	(8,656)
Finance costs		<u>(386)</u>	<u>(264)</u>
Profit before income tax		7,002	5,403
Income tax expense	5	<u>(638)</u>	<u>(717)</u>
Profit and total comprehensive income for the period attributable to equity holders of the Company		<u>6,364</u>	<u>4,686</u>
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share)			
— Basic and diluted	6	<u>0.40</u>	<u>0.30</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2020

	30 September 2020 <i>Notes</i> HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	16,119	22,320
Intangible assets	252	332
Goodwill	23,426	23,426
Cash surrender value of life insurance	1,819	1,789
Deferred tax assets	300	416
	<u>41,916</u>	<u>48,283</u>
Current assets		
Inventories	9,772	11,602
Trade and other receivables	8 40,904	52,470
Bank balances and cash	26,922	16,773
	<u>77,598</u>	<u>80,845</u>
Current liabilities		
Trade and other payables	9 19,387	22,779
Contract liabilities	4,253	4,680
Income tax liabilities	2,599	2,177
Bank borrowings	8,377	5,704
Lease liabilities/Finance lease liabilities	8,780	10,785
	<u>43,396</u>	<u>46,125</u>
Net current assets	<u>34,202</u>	<u>34,720</u>
Total assets less current liabilities	<u>76,118</u>	<u>83,003</u>
Non-current liabilities		
Lease liabilities/Finance lease liabilities	5,852	9,425
Contingent consideration payable	8,357	18,033
	<u>14,209</u>	<u>27,458</u>
Net assets	<u>61,909</u>	<u>55,545</u>
EQUITY		
Share capital	15,840	15,840
Reserves	46,069	39,705
Total equity	<u>61,909</u>	<u>55,545</u>

The above unaudited consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2020

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Accumulated profits/ (Accumulated losses) <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance as at 1 April 2020 (audited)	15,840	31,564	5,474	2,667	55,545
Profit and total comprehensive income for the period	—	—	—	6,364	6,364
Balance as at 30 September 2020 (unaudited)	15,840	31,564	5,474	9,031	61,909
At 1 April 2019 (audited)	15,840	31,564	5,474	(3,106)	49,772
Profit and total comprehensive income for the period	—	—	—	4,686	4,686
Balance as at 30 September 2019 (unaudited)	15,840	31,564	5,474	1,580	54,458

The above unaudited consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 September 2020

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash from/(used in) operating activities	13,623	(1,421)
Net cash used in investing activities	(62)	(4,177)
Net cash used in financing activities	<u>(3,412)</u>	<u>(940)</u>
Net increase/(decrease) in cash and cash equivalents	10,149	(6,538)
Cash and cash equivalents as at 1 April	<u>16,773</u>	<u>22,795</u>
Cash and cash equivalents as at 30 September	<u><u>26,922</u></u>	<u><u>16,257</u></u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<u>26,922</u>	<u>16,257</u>
	<u><u>26,922</u></u>	<u><u>16,257</u></u>

The above unaudited consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Tree Holdings Limited was incorporated in the Cayman Islands on 9 March 2016 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of the Company's registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is 28/F., Horizon Plaza, 2 Lee Wing Street, Ap Lei Chau, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in the sale and distribution of furniture and home accessories, distribution and licencing of intellectual property rights, the provision of styling and consulting services and the operation of a café.

As at 30 September 2020, the directors consider the immediate and ultimate holding company of the Company to be Tiptop Honour Limited ("**Tiptop**"), a company incorporated in Samoa.

The Company's shares were listed on GEM of The Stock Exchange of Hong Kong Limited on 25 January 2018 (the "**Listing**").

2. REORGANISATION AND BASIS OF PREPARATION

Pursuant to a group reorganisation (the "**Reorganisation**") of the Company in connection with the listing of its shares on GEM of the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 29 July 2016. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in the section headed "History, Development and Reorganisation" in the Company's prospectus dated 12 January 2018.

Prior to the Reorganisation, TREE Limited, the Group's sole operating subsidiary, was wholly owned and controlled by Tiptop. The Group is under the common control of the Tiptop prior to and after the Reorganisation. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The unaudited consolidated financial statements have been prepared as if the Company had always been the holding company of the Group. The unaudited consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six months ended 30 September 2020 include the results of operations of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the periods, or since their respective dates of incorporation or acquisition when there is a shorter period.

These unaudited consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the accounting principles generally accepted in Hong Kong.

The unaudited consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The significant accounting policies that have been used in the preparation of these unaudited consolidated financial statements have been consistently applied to all the periods presented, unless otherwise stated.

The unaudited consolidated financial statements have been prepared on the historical cost basis, except for cash surrender value of life insurance which are carried at fair value.

The unaudited consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousands (“**HK\$’000**”), except when otherwise indicated.

HKICPA has issued a number of new and amended HKFRSs and interpretations that are first effective or available for early adoption for the Relevant Period. There have been no significant changes to the accounting policies applied in these financial statements for the Relevant Period presented as a result of these developments.

The preparation of the unaudited consolidated financial statements of the Group for the Relevant Period is in conformity with the HKFRSs requirements in the use of certain critical accounting estimates. The HKFRSs also require the management to exercise their judgements in the process of applying the Group’s accounting policies.

The unaudited consolidated financial statements for the Relevant Period have not been audited by the Company’s independent auditor but have been reviewed by the Company’s audit committee.

3. REVENUE

An analysis of the Group's revenue is as follows:

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Types of goods or services		
Sale of furniture and home accessories	33,342	35,487
Distribution and license fee income	1,600	1,600
Food and beverage income	1,078	1,419
Commission income	6,284	7,393
Consulting income	1,479	796
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Total	43,783	46,695
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4. OTHER INCOME

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	278	455
HKSAR Government wage subsidies	2,133	—
	<hr/>	<hr/>
Total	2,411	455
	<hr/> <hr/>	<hr/> <hr/>

5. INCOME TAX EXPENSE

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	<u>638</u>	<u>717</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following days.

Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For the Relevant Period, Hong Kong Profit Tax is calculated in accordance with the two-tiered profits tax rates regime for the qualifying corporation and the remaining corporations are calculated at a flat rate of 16.5%.

6. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share attributable to equity holders of the Company is based on the following:

	Six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
Profit for the period attributable to equity holders of the Company (HK\$'000)	6,364	4,686
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (thousands)	<u>1,584,000</u>	<u>1,584,000</u>
Basic earnings per share (expressed in HK cents per share)	<u>0.40</u>	<u>0.30</u>

Diluted earnings per share for the Relevant Period equals the basic earnings per share as there were no dilutive potential ordinary shares in existence during the six months ended 30 September 2019, and the Relevant Period.

7. DIVIDEND

The Board does not recommend the payment of an interim dividend for the Relevant Period (2019: nil).

8. TRADE AND OTHER RECEIVABLES

		As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
	<i>Notes</i>		
Trade receivables			
From third parties		37,016	43,811
Less: ECL allowance		—	(700)
		<hr/>	<hr/>
Trade receivables, net	(a)	37,016	43,111
		<hr/>	<hr/>
Other receivables			
Deposits, prepayments and other receivables		1,835	6,566
Prepayment to suppliers		1,135	1,579
Prepayment to a related company		600	1,200
Amount due from a related company		318	14
		<hr/>	<hr/>
	(b)	3,888	9,359
		<hr/>	<hr/>
		40,904	52,470
		<hr/> <hr/>	<hr/> <hr/>

The directors of the Company considered that the fair value of trade and other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

(a) Trade receivables

Majority of the Group's sales of furniture and home accessories to its customers are settled by cash, credit cards, or by other forms of electronic payments (such as EPS). There were no credit term granted to the customers and distributors, but the Group allows credit period of 2 to 7 days to the payment vendors and up to 120 days to customers of furniture agency service. The Group seeks to maintain strict control over its outstanding trade receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

The ageing analysis based on recognition date of the trade receivables is as follows:

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
0–30 days	11,221	6,787
31–90 days	12,129	12,626
90–180 days	13,666	23,698
	<hr/>	<hr/>
	37,016	43,111
	<hr/> <hr/>	<hr/> <hr/>

(b) Other receivables

As at 30 September 2020, none of the amounts included in other receivables were either past due or impaired (31 March 2020: nil).

9. TRADE AND OTHER PAYABLES

		As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
Trade payables			
To third parties	<i>(a)</i>	<u>7,376</u>	<u>7,300</u>
Other payables			
Accrued charges and other payables		2,334	3,044
Amount due to a related party		—	96
Contingent consideration payable		<u>9,677</u>	<u>12,339</u>
		<u>19,387</u>	<u>22,779</u>

All amounts are short-term and hence the carrying values of the Group's trade and other payables as at 30 September 2020 and 31 March 2020 were considered to be a reasonable approximation of their fair values.

(a) Trade payables

There were no credit periods granted by the suppliers of the Group. The ageing analysis of trade payables based on invoice date is as follows:

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
0–30 days	6,250	6,522
31–90 days	613	285
Over 90 days	<u>513</u>	<u>493</u>
	<u>7,376</u>	<u>7,300</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue decreased from approximately HK\$46.7 million for the six months ended 30 September 2019 to approximately HK\$43.8 million for the Relevant Period, representing a decrease of approximately 6.2%. Such decrease was mainly due to the decrease in sales of furniture and home accessories, commission income for the provision of furniture agency service by Hong Kong Italiving International Company Limited (“**HK Italiving**”) and food and beverage income, partly offset by an increase in consulting income.

Cost of sales

The Group's cost of sales decreased from approximately HK\$13.7 million for the six months ended 30 September 2019 to approximately HK\$12.9 million for the Relevant Period, representing a decrease of approximately 5.8%. The decrease was mainly due to the decrease in sales of furniture and home accessories.

Gross profit and gross profit margin

Our gross profit of the Group decreased by approximately 6.4% from approximately HK\$33.0 million for the six months ended 30 September 2019 to approximately HK\$30.9 million for the Relevant Period. The gross profit margin for the Relevant Period remained stable at approximately 70.6% and 70.7% for the six months ended 30 September 2020 and 2019 respectively.

Other Income

Other income increased by approximately 429.9% to approximately HK\$2.4 million for the Relevant Period from approximately HK\$0.5 million for the six months ended 30 September 2019. The increase was due to the HKSAR Government wage subsidies of approximately HK\$2.1 million for the support of Hong Kong's economy.

Selling and marketing expenses

Our selling and marketing expenses comprised (i) rental payments and depreciation of right-of-use assets; (ii) staff costs attributable to the salary of our staff engaged in sales and marketing activities; (iii) marketing expenses; (iv) payment gateway charges attributable to fees for our payment channels such as credit cards or EPS; and (v) electricity and water expenses.

Our selling and marketing expenses of the Group decreased by approximately 5.7% from approximately HK\$19.1 million for the six months ended 30 September 2019 to approximately HK\$18.1 million for the Relevant Period. The decrease was mainly due to the decrease in rental expense, staff cost and marketing expense.

Administrative expenses

Our administrative expenses comprised (i) staff costs for our administrative staff and Directors' emoluments; (ii) professional fees which included legal fees, consultancy fees and auditor's remuneration; (iii) travel expenses; (iv) office expenses; (v) depreciation of our property, plant and equipment, and amortisation of our intangible assets; (vi) repairs and maintenance for our trucks and retail stores; (vii) insurance expenses which included business insurance, vehicle insurance and medical insurance; (viii) recruitment expenses which included fees to the recruitment agents and advertisements on websites; (ix) bank charges; (x) handling fee; and (xi) others which included motor vehicle expenses, net foreign exchange losses and entertainment expenses.

Our administrative expenses of the Group decreased by approximately 9.2% from approximately HK\$8.7 million for the six months ended 30 September 2019 to approximately HK\$7.9 million for the Relevant Period. The decrease was mainly due to the decrease in service charge in relation to the furniture agency service business and decrease in staff costs of our administrative staff.

Income tax expense

The income tax expense of the Group decreased by 11.0% to approximately HK\$0.6 million for the Relevant Period from approximately HK\$0.7 million for the six months ended 30 September 2019.

Profit for the period

Our Group recorded an increase in profit by approximately 35.8% from approximately HK\$4.7 million for the six months ended 30 September 2019 to approximately HK\$6.4 million for the Relevant Period, primarily due to the increase in other income attributable to the HKSAR Government wage subsidies of approximately HK\$2.1 million.

BUSINESS REVIEW AND OUTLOOK

Headquartered in Hong Kong and operating under the brand name “TREE”, we engage in (i) the sale and distribution of furniture and home accessories; (ii) the distribution and licencing of our intellectual property rights; (iii) the operation of TREE Café in our flagship store in Ap Lei Chau (the “**Flagship Store**”); (iv) consignment sales of home accessories and furniture agency services; (v) the provision of styling and consulting services and (vi) provision of furniture rental business. We offer a variety of (i) furniture including tables, chairs, storage solutions, sofas and beds; and (ii) home accessories including kitchenware, bed and bathroom related products, cushions, mattresses and baskets. In addition, we acquired, HK Italiving in December 2018, and it is principally engaged in the provision of furniture agency service. Furthermore, a subsidiary, Shanghai Italiving International Co., Ltd. (“**Shanghai Italiving**”), was incorporated in July 2019.

As at the date of this report, we operated three “TREE” retail stores in Hong Kong namely, our Flagship Store, our Sha Tin store, and our Yuen Long store which we opened in May 2018. We have commenced online sales since May 2019.

During the six months ended 30 September 2020, we generated revenue from the (i) sale of furniture and home accessories; (ii) distribution and license fee income; (iii) operation of TREE Café; (iv) consignment sales of home accessories and furniture agency service; and (v) provision of styling, consulting service. The table below sets forth a breakdown of our revenue for the six months ended 30 September 2020 and 2019:

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Sale of furniture and home accessories	33,342	35,487
Distribution and license fee income	1,600	1,600
Food and beverage income	1,078	1,419
Commission income	6,284	7,393
Consulting income	1,479	796
	<hr/>	<hr/>
	<u>43,783</u>	<u>46,695</u>

For the six months ended 30 September 2020, our revenue amounted to approximately HK\$43.8 million, representing a decrease of approximately HK\$2.9 million or 6.2% from approximately HK\$46.7 million for six months ended 30 September 2019. Such decrease was mainly attributable to the decrease in sales of furniture and home accessories, commission income for the provision of furniture agency service by HK Italiving and food and beverage income, partly offset by an increase in consulting income.

Sale of furniture and home accessories

TREE primarily sells its products to (i) retail customers who visited our retail stores, being the Direct Sales; and (ii) our distributor in the People's Republic of China (the "PRC"), being the Distribution Sales. The following table sets forth a breakdown of our sale of furniture and home accessories by the Direct Sales and Distribution Sales for the six months ended 30 September 2020 and 2019, respectively.

	Six months ended 30 September			
	2020		2019	
	Revenue	% of total	Revenue	% of total
	HK\$'000	revenue	HK\$'000	revenue
		from sale		from sale
		of furniture		of furniture
		and home		and home
		accessories		accessories
		%		%
Direct Sales				
Retail Stores ⁽¹⁾	28,664	86.0	33,035	93.1
Online sales ⁽²⁾	4,061	12.1	1,536	4.3
Sub-total	32,725	98.1	34,571	97.4
Distribution Sales	617	1.9	916	2.6
Total	33,342	100.0	35,487	100.0

Notes:

- (1) Our retail stores include our Flagship Store, Sha Tin store and Yuen Long store.
- (2) Our Online sales launched in May 2019.

For the six months ended 30 September 2020, revenue generated from the Direct Sales amounted to approximately HK\$32.7 million, representing a decrease of approximately HK\$1.9 million or 5.5% from approximately HK\$34.6 million for six months ended 30 September 2019, mainly attributable to the decreases in revenue of all our retail stores, partly offset by an increase in revenue of online sales.

For the six months ended 30 September 2020, revenue generated from the Distribution Sales amounted to approximately HK\$0.6 million, representing a decrease of approximately HK\$0.3 million or 32.6% from approximately HK\$0.9 million for the six months ended 30 September 2019, as a result of reduced sales order by our distributor in the PRC.

Distribution and license fee income

We entered distribution agreements with our PRC distributor, and we are entitled to receive annual non-refundable fees of HK\$2.4 million and HK\$0.8 million from our PRC distributor for the distribution of our products in Beijing and Hainan province, the PRC, respectively. Our distribution and license fee income was approximately HK\$1.6 million for the six months ended 30 September 2020 and HK\$1.6 million for the six months ended 30 September 2019, respectively, representing approximately 3.7% and 3.4% of our total revenue for the six months ended 30 September 2020 and 2019, respectively.

Food and beverage income

Our food and beverage income generated from operating TREE Café in our Flagship Store was approximately HK\$1.1 million and HK\$1.4 million for the six months ended 30 September 2020 and 2019, respectively. Such decrease was mainly due to the outbreak of COVID-19 leading to a decrease in the number of visiting customers.

Commission income

Our commission income comprised income generated from (i) the furniture agency service by HK Italiving; and (ii) the sales of consignment goods. The decrease of approximately HK\$1.1 million was mainly due to the lower income from furniture agency service provided by HK Italiving.

Consulting income

Our consulting income comprised income generated from providing styling ideas, advising on furniture to be used and conducting site visits and sourcing trips for projects. During the Relevant Period, the Group provided styling and consulting services of approximately HK\$1.5 million in relation to Hong Kong residential show flats.

PROSPECTS

This forthcoming financial year will continue to be challenging as retail market conditions remain competitive and weak consumer confidence and spending in Hong Kong prevails while impacted by the outbreak of the COVID-19. These factors will continue to impact our performance adversely for the forthcoming year. In addition to running our three TREE retail stores in Hong Kong, the management recognises the need to expand our revenue streams. The Group has seen growth in additional opportunities in styling and consultancy services and will continue to explore further opportunities. The Group also launched our e-commerce store which enables the opportunity to generate incremental sales, in addition to launching a furniture rental business as additional revenue streams.

The Group has also strengthened its income base and expended the products offered within its portfolio by providing furniture agency services for furniture imported from Italy, primarily to customers in the PRC. The Group continues to look for ways to provide comprehensive services to customers in Hong Kong and the PRC.

USE OF PROCEEDS

The net proceeds from the Listing in January 2018, after deducting the underwriting fees, the Stock Exchange trading fee and the Securities and Futures Commission of Hong Kong (“SFC”) transaction levy and other listing related expenses in connection with the Share Offer, were approximately HK\$20.3 million.

The original allocation of proceeds from the Share Offer, the utilisation and remaining balance of the proceeds as at 30 September 2020, are summarised below:

Uses	Planned use of Net Proceeds <i>HK\$ million</i>	Actual use of Net Proceeds from the Listing Date to 30 September 2020 <i>HK\$ million</i>	Unutilised Net Proceeds up to 30 September 2020 <i>HK\$ million</i>	Revised allocation of the unutilised Net Proceeds <i>HK\$ million</i>
Expand our sales network	14.5	6.5	8.0	(8.0)
Promote and strengthen brand image and recognition	2.1	2.1	—	—
Enhance styling and consulting services and distribution sales	1.8	1.8	—	—
Enhance operational efficiencies	1.9	1.9	—	—
Settlement of the future consideration payable in relation to the acquisition of HK Italiving	—	—	—	8.0
Total	20.3	12.3	8.0	—

The Board having considered the business environment and the development of the Group (in particular the political and social unrest in 2019 and the outbreak of the COVID-19 in the PRC and Hong Kong), resolved to change the use of the unutilised net proceeds of approximately HK\$8.0 million for the settlement of the future consideration payable in relation to the acquisition (the “**Acquisition**”) of HK Italiving, which was completed on 31 December 2018, as disclosed in the disclosable transaction acquisition announcement dated 17 December 2018. The Group expects to settle an amount of not less than approximately HK\$11.2 million within one month from the date of the audited account of Italiving for the year ending 31 December 2020 in relation to the Acquisition. The settlement of the future consideration payable will be expected in the second quarter of 2021.

The expected timeline for utilising the unutilised net proceeds is based on the best estimation of the present market situations in Hong Kong made by the Boards.

DISCLOSURE OF INTERESTS

Interests and short positions of the Company's Directors and chief executives in the Company's Shares, underlying shares and debentures and the Company's associated corporations

As at 30 September 2020, the interests or short positions of the Company's Directors in the Company's Shares, underlying shares or debentures which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the "required standard of dealings" as contained in Chapter 5 of the GEM Listing Rules, were as follows:

i. Long position in the Company's Shares

Name of Director	Nature of interest	Number of shares held <i>(Note 1)</i>	Percentage of shareholding
Mr. TONG Tang Joseph ("Mr. Tong") <i>(Note 4)</i>	Interest in a controlled corporation <i>(Note 2)</i>	1,108,800,000 (L)	70.00%
Ms. Mary Kathleen Babington ("Ms. Babington")	Interest in a controlled corporation <i>(Note 3)</i>	59,400,000 (L)	3.75%

Notes:

1. The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such shares.
2. The Company is owned as to 70.00% by Tiptop. Tiptop is wholly-owned by Mr. Tong. Under the SFO, Mr. Tong is deemed to be interested in the same number of shares held by Tiptop.
3. The Company is owned as to 3.75% by Rothley Investment Limited ("Rothley"). Rothley is wholly-owned by Ms. Babington. Under the SFO, Ms. Babington is deemed to be interested in the same number of shares held by Rothley.
4. Mr. Tong was re-designated as an executive director and the chief executive officer of the Company with effect from 1 August 2019.

Saved as disclosed above, as of 30 September 2020, none of the Company’s Directors and chief executives and their respective associates had or are deemed to have any interest or short positions in the Company’s shares, underlying shares or debentures or the Company’s associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register as referred to herein, or which were required to be notified to the Company and the Stock Exchange pursuant to the “required standard of dealing” as contained in Chapter 5 of the GEM Listing Rules.

Interests and short positions of substantial Shareholders in the Company’s Shares, underlying shares and debentures and the Company’s associated corporations

As at 30 September 2020, so far as the Company’s Directors are aware, the following persons (other than the Directors and chief executive of the Company) had, or were deemed to have, interests or short positions in the Company’s shares or underlying shares which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or who, directly or indirectly, were interested in 10% or more of the issued voting shares of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

i. Long position in the Company’s Shares

Name of Shareholder	Nature of interest	Interests in shares (Note 1)	Percentage of shareholding
Tiptop	Beneficial owner (Note 2)	1,108,800,000 (L)	70.00%
Ms. Shum Yuet Wah Anna	Interest of spouse (Note 3)	1,108,800,000 (L)	70.00%

Notes:

1. The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
2. The Company is owned as to 70.00% by Tiptop.
3. Tiptop is wholly-owned by Mr. Tong, the Company’s chairman, Executive Director and chief executive officer (with effect from 1 August 2019), and Controlling Shareholders. Under the SFO, Mr. Tong is deemed to be interested in the same number of shares held by Tiptop. Ms. Shum Yuet Wah Anna is the spouse of Mr. Tong. Under the SFO, Ms. Shum Yuet Wah Anna is deemed to be interested in all the Company’s shares in which Mr. Tong is interested.

Save as disclosed above, as at 30 September 2020, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who was directly or indirectly interested in 10% or more of the issued voting shares of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

COMPETING BUSINESS AND CONFLICT OF INTEREST

As confirmed by the Directors, the Controlling Shareholders and their respective close associates do not have any interests in any business, apart from the business operated by members of the Group, which competes or is likely to compete, directly or indirectly, with the business of the Group during the six months ended 30 September 2020.

INTERESTS OF COMPLIANCE ADVISER

Rainbow Capital (HK) Limited was appointed as compliance adviser of the Company from 6 January 2020. None of the compliance adviser or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules. Pursuant to the Compliance Adviser Agreement dated 6 January 2020, services of Rainbow Capital (HK) Capital Limited as compliance adviser have ended on 30 September 2020.

PURCHASE, REDEMPTION OR SALES OF THE LISTED SECURITIES OF THE COMPANY

The Company's shares were successfully listed on GEM on 25 January 2018. Save as the Listing, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2020.

CORPORATE GOVERNANCE CODE

The Company and the Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve accountability.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. The Shares were successfully listed on GEM on 25 January 2018. To the best knowledge of the Board, during the period from the date of Listing to the date of this announcement, except for the code provision A.2.1, the Company has complied with the applicable code provisions of the CG Code.

CODE PROVISION A.2.1

The above code provision stipulates that the roles of the chairman and the CEO should be separate and should not be performed by the same individual.

After the change of the Chief Executive Officer ("CEO") with effect from 1 August 2019, Mr. Tong will be both the chairman of the Board and the CEO of the Company.

The Board considers that having the same person to perform the roles of both the chairman and the CEO provides the Company with strong and consistent leadership, and allows effective and efficient planning and implementation of business decisions and strategies. Such structure would not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals and having meeting regularly to discuss issues affecting the operations of the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of provisions of conduct regarding securities transactions by the Directors (the "Code of Conduct") on terms no less exacting than the required standards of dealings concerning securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the Relevant Period.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the Relevant Period.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 5 January 2018 (the “**Share Option Scheme**”). The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants as incentives or rewards for their contribution to our Group and/or to enable our Group to recruit and retain high-caliber employees and attract human resources that are valuable to our Group. The terms of the Share Option Scheme are in accordance with the provision of chapter 23 of the GEM Listing Rules.

During the Relevant Period and up to the date of this announcement, no share options were granted by the Company under the Share Option Scheme.

AUDIT COMMITTEE

We established our Audit Committee with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraphs C3.2 and C3.3 of the CG Code Practices pursuant to a resolution of our Directors passed on 5 January 2018. The primary duties of our Audit Committee are, among other things, to make recommendations to our Board on the appointment, reappointment and removal of external auditors, review the financial statements and provide advice in respect of financial reporting, oversee our financial reporting process, internal control, risk management systems and audit process, and perform other duties and responsibilities assigned by our Board.

At present, our Audit Committee comprises Mr. Yeung Man Chung Charles, Mr. Tsang Wai Yin and Mr. Sit Hoi Wah Kenneth, all being Independent Non-Executive Directors. Mr. Yeung Man Chung Charles is the Chairman of our Audit Committee.

The Audit Committee has reviewed the unaudited consolidated financial statements of the Group for the Relevant Period.

By order of the Board
Tree Holdings Limited
TONG Tang Joseph
Chairman and Chief Executive Officer

Hong Kong, 11 November 2020

As at the date of this announcement, the Board comprises Mr. TONG Tang Joseph, Ms. Mary Kathleen BABINGTON and Mr. TSUI Wing Tak as executive Directors; Mr. BIAN Dahai as non-executive Director; and Mr. YEUNG Man Chung Charles, Mr. TSANG Wai Yin, and Mr. SIT Hoi Wah Kenneth as the independent non-executive Directors.