



TREE HOLDINGS LIMITED

齊家控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock Code 股份代號：8395

2017/18 | **Third Quarter Results 第三季度業績報告**

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*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. 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\$60.6 million for the nine months ended 31 December 2017, representing an increase of approximately HK\$1.3 million or 2.2% as compared with the nine months ended 31 December 2016.
- Excluding the non-recurring expenses of listing related expenses, and share-based compensation expenses, the profit and total comprehensive profit for the nine months ended 31 December 2017 of the Group is approximately HK\$5.5 million, representing an increase of approximately HK\$0.9 million or 20.7% as compare with the nine months ended 31 December 2016.
- The loss and total comprehensive loss of the Group is approximately HK\$3.0 million for the nine months ended 31 December 2017, representing an increase of approximately HK\$0.1 million or 3.8% as compared with the nine months ended 31 December 2016.
- The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2017.

THIRD QUARTERLY RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the nine months ended 31 December 2017 (the “**Relevant Period**”), together with the unaudited comparative figures for the corresponding period in 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the nine months ended 31 December 2017

| | | Nine months ended 31 December | |
|--|-------|----------------------------------|-------------|
| | | 2017 | 2016 |
| | | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| | Notes | | |
| Revenue | 3 | 60,624 | 59,302 |
| Cost of sales | | (19,670) | (20,776) |
| Gross Profit | | 40,954 | 38,526 |
| Other income | | 82 | 40 |
| Selling and marketing expenses | | (25,217) | (24,774) |
| Administrative expenses | | (8,957) | (8,379) |
| Listing related expenses | | (7,891) | (5,243) |
| Share-based compensation expenses | | (656) | (2,246) |
| Finance costs | | (246) | (82) |
| Loss before tax | | (1,931) | (2,158) |
| Income tax expense | 4 | (1,105) | (767) |
| Loss and total comprehensive loss for the period attributable to equity shareholders of the Company | | (3,036) | (2,925) |
| Loss per share | | | |
| — Basic and diluted (HK Cents) | 5 | (0.26) | (0.25) |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 31 December 2017

| | Notes | Share Capital HK\$'000 | Capital reserve HK\$'000 | Accumulated profits HK\$'000 | Total equity HK\$'000 |
|---|-------|------------------------------|--------------------------------|------------------------------------|-----------------------------|
| At 1 April 2017 (audited) | | – | 4,818 | 6,539 | 11,357 |
| Loss and total comprehensive loss of the period | | – | – | (3,036) | (3,036) |
| Transactions with owners | | | | | |
| – Share-based compensation | 6 | – | 656 | – | 656 |
| Total transactions with owners | | – | 656 | – | 656 |
| Balance as at 31 December 2017 (Unaudited) | | – | 5,474 | 3,503 | 8,977 |
| At 1 April 2016 (audited) | | – | 2,487 | 29,096 | 31,583 |
| Loss and total comprehensive loss of the period | | – | – | (2,925) | (2,925) |
| Transactions with owners | | | | | |
| – Share-based compensation | 6 | – | 2,246 | – | 2,246 |
| – Dividend | 7 | – | – | (10,409) | (10,409) |
| Total transactions with owners | | – | 2,246 | (10,409) | (8,163) |
| Balance as at 31 December 2016 (Unaudited) | | – | 4,733 | 15,762 | 20,495 |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2017

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 9 March 2016. The registered office of the Company is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The headquarter and principal place of business of the Company in Hong Kong is located at 28/F., Horizon Plaza, 2 Lee Wing Street, Ap Lei Chau, Hong Kong.

The Company's issued ordinary shares of HK\$0.01 each have been listed and traded on GEM since 25 January 2018 (the "Listing Date").

Pursuant to the reorganisation of the Group (the "Reorganisation") in connection with the listing of the shares of the Company (the "Shares") on GEM (the "Listing"), the Company became the holding company of the companies comprising the Group on 29 July 2016. Details of the Reorganisation are set out in the prospectus of the Company dated 12 January 2018 (the "Prospectus") under the section headed "History, development and reorganisation".

The principal activity of the Company is investment holding. The Group's principal activities are the sale and distribution of furniture and home accessories; the distribution and licencing of the intellectual property rights; the operation of TREE café in the Group's flagship store; consignment sales (being products consigned from independent third parties for sale in the Group's retail stores); and the provision of styling and consulting services.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the Relevant Period have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

The Group resulting from the reorganisation is regarded as a continuing entity. The unaudited condensed consolidated financial statements have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger accounting under common control combination" issued by the HKICPA. Accordingly, the financial information relating to the unaudited condensed consolidated financial statements for the Relevant Period including the comparative figures for the nine months ended 31 December 2016, are presented as if the current group structure had been in existence and remained unchanged throughout both periods, or since their respective dates of incorporation, where this is a shorter period.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements of the Group for the Relevant Period are consistent with those used in the audited financial statements of the Group for the year ended 31 March 2017.

HKICPA has issued a number of new and revised 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 unaudited condensed consolidated financial statements of the Group for the Relevant Period have been prepared under the historical cost convention.

The unaudited condensed 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.

The preparation of the unaudited condensed 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 condensed consolidated financial statements of the Group for the Relevant Period are presented in Hong Kong dollars ("HK\$"), which is the same functional currency of the Company.

3. REVENUE

Revenue represents the fair value of the consideration received or receivable for the sale of goods and services provided in the normal course of business, net of discounts. Information reported to the Company's executive Directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- | | | |
|-------|--|---|
| (i) | Sale of furniture and home accessories | Direct sales from the retail stores, and sales to the PRC distributor |
| (ii) | Distribution and license fee income | Non-refundable fee received from the PRC distributor for the distribution of the Group's products in Beijing and Hainan province, the PRC |
| (iii) | Food and beverage income | Food and beverage income generated from operation of TREE café in the Group's flagship store |
| (iv) | Commission income | Commission from sales of products consigned from independent third parties for sale in the Group's retail stores. |
| (v) | Consulting income | Income from provision of styling and consulting services |

| | Nine months ended 31 December | |
|---|--|-------------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Sales of furniture and home accessories | 56,298 | 53,992 |
| Distribution and license fee income | 2,680 | 1,800 |
| Food and beverage income | 1,127 | 3,360 |
| Commission income | 105 | 150 |
| Consulting income | 414 | – |
| Total | 60,624 | 59,302 |

4. INCOME TAX

| | Nine months ended 31 December | |
|----------------------|--|-------------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Hong Kong profit tax | 1,105 | 767 |

Hong Kong profits tax has been provided at the rate of 16.5% based on the estimated assessable profits of the Group for the periods as stated above.

5. LOSS PER SHARE

The calculation of basic loss per Share is based on the following data:

| | Nine months ended 31 December | |
|---|--|-------------|
| | 2017 | 2016 |
| | (Unaudited) | (Unaudited) |
| Loss attributable to equity holders of the Company (HK\$'000) | 3,036 | 2,925 |
| Number of ordinary shares for the purpose of calculating basic loss per Share (thousands) | 1,188,000 | 1,188,000 |
| Basic loss per Share (expressed in HK cents per Share) | 0.26 | 0.25 |

The weighted average number of ordinary shares used to calculate the basic loss per share amount for the nine-month periods ended 31 December 2016 and 2017 included 100 issued ordinary share of the Company upon completion of the Reorganisation and 1,187,999,900 ordinary shares of the Company issued by capitalisation issue, on the assumption that these shares had been in issue throughout the nine-month periods ended 31 December 2016 and 2017.

Diluted loss per Share for the Relevant Period equals the basic loss per Share as there were no dilutive potential ordinary shares in existence during the nine months ended 31 December 2016, and the Relevant Period.

6. SHARE-BASED COMPENSATION TRANSACTIONS

Incentive Shares awarded to a key management personnel by Tiptop Honour Limited (the "Tiptop")

On 1 June 2015, pursuant to an incentive shares deed entered among Tiptop, Tree Limited and Ms. Mary Kathleen BABINGTON ("Ms. Babington"), a director and a key management personnel of the Group, (collectively, the "Parties"), Tiptop has agreed to award and transfer 5% of its equity interest in Tree Limited or its holding company or its successor entity pursuant to any pre IPO restructuring (the "Incentive Shares") to Ms. Babington within thirty business days after 1 June 2015 at a consideration of HK\$1. The Incentive Shares were granted to recognize Ms. Babington's prior contribution and to give incentive to retain her for the continual growth and expansion of the Group's business.

Pursuant to the incentive shares deed, Ms. Babington must return the Incentive Shares to Tiptop at a cost of HK\$1 if she terminates or gives notice to terminate her employment with Tree Limited prior to the agreed date (being the earlier of: (i) the date of any IPO; (ii) the date of any change of control as defined in the employment contract; or (iii) 30 June 2017). As at 31 March 2016 and 2017, the estimated date of an IPO is in 2017. The incentive shares deed also includes a put option (the "Put Option") and tag along rights with Tiptop, pursuant to which, on the condition that (i) the profit of Tree Limited for each of the years ending 31 March 2016 and 2017 are not less than HK\$10,000,000 and HK\$10,000,000, respectively; and (ii) an IPO does not take place within twenty-four months from 1 June 2015, Ms. Babington is entitled to exercise the Put Option to sell back the Incentive Shares to Tiptop at a total consideration of HK\$5,000,000 on or after the date of sign off of the audited financial statements of Tree Limited for the year ending 31 March 2017 by the auditors. In addition, in the event of an IPO, Ms. Babington may continue to exercise the Put Option at any time within three months following the IPO if the market price of the Incentive Shares falls below the option price of HK\$5,000,000 (the "Special Right to the Put Option") immediately prior to the date of any put notice. The Group has no legal or constructive obligation to repurchase or settle the Incentive Shares or the Put Option in cash. The Incentive Shares and the Put Option were treated as linked and accounted for as a share-based compensation transaction by way of capital contribution from the shareholder and were fully vested on 30 June 2017.

The fair value of the Incentive Shares and the Put Option at the date of grant i.e. 1 June 2015, was approximately HK\$5,474,000. The fair value is estimated by reference to the difference between the consideration and the fair value of the underlying 5% equity interest in Tree Limited, the Listing Business, and the Put Option at the date of grant. The Company have used the discounted cash flow method in determining the fair value of the underlying 5% equity interest in Tree Limited and the option pricing model in determining the fair value of the Put Option. The key assumptions used in the discounted cash flow method at the grant date includes the discount rate of 12.33% and projections of future performance. The valuation of the Put Option was determined using the Black-Scholes option pricing model and the following principal assumptions were used in the valuation:

| | |
|------------------------------------|---------------|
| Fair value of shares at grant date | HK\$3,017,500 |
| Exercise price at date of grant | HK\$5,000,000 |
| Expected volatility | 57.44% |
| Expected option life | 2.08 years |
| Dividend yield | 0% |
| Risk-free interest rate | 0.42% |

The underlying expected volatility was determined by reference to historical data, calculated based on expected life of the Put Option. Expectations of early exercise were incorporated into the Black-Scholes option pricing model. No special features pertinent to the options granted were incorporated into measurement of fair value.

On 31 May 2016, pursuant to a supplemental deed entered among the Parties, it was further agreed that the Incentive Shares will be transferred to Ms. Babington on or before 31 October 2016. In addition, on 15 November 2016, pursuant to the second supplemental incentive shares deed entered among the Parties, it was further agreed that the Special Right to the Put Option be removed and Ms. Babington shall not be entitled to exercise the Put Option for a period of six months commencing on the filing of any listing application by Tree Limited or its direct or indirect parent company for an IPO, and the Put Option and tag along rights will lapse upon the Listing. As all the above modifications were not beneficial to Ms. Babington, as such, the Group has continued to account for the original grant as if the modifications had not occurred.

Pursuant to the incentive shares deed, the supplemental deed and as part of the reorganisation, on 10 August 2016, Ms. Babington through her wholly owned subsidiary, Rothley, acquired 5% equity interest of the Company from Tiptop at a consideration of HK\$1.

The Group recognised a total expense of HK\$2,245,793 and HK\$656,400 respectively, for each of the nine months ended 31 December 2016 and the Relevant Period in relation to the above share award granted by the shareholder of the Company.

7. DIVIDEND

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

During the nine months ended 31 December 2016, the interim dividend in respect of the nine months ended 31 December 2016 amounted to HK\$10,409,000. The dividend disclosed during the nine months ended 31 December 2016 represented dividend declared before the completion of the reorganisation and paid by Tree Limited to its then shareholder. The dividend declared and payable to Tiptop was fully paid by offsetting against the amount due from Tiptop. The rates for dividend and the number of shares ranking for dividend are not presented as such information is not considered meaningful for the purpose of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue increased from approximately HK\$59.3 million for the nine months ended 31 December 2016 to approximately HK\$60.6 million for the Relevant Period, representing a growth of approximately 2.2%. Such increase was mainly due to the increase in both sale of furniture and home accessories, and distribution and license fee income received by the Group, growth of the direct sale from the Sha Tin retail store which opened on 24 October 2016, and the entering of the second supplemental distribution agreement with the Group's PRC distributor on 27 January 2017 to expand the distribution network in Hainan province, being offset by the decrease in the food and beverage income.

Cost of Sales

The Group's cost of sales decreased from approximately HK\$20.8 million for the nine months ended 31 December 2016 to approximately HK\$19.7 million for the Relevant Period, representing a decrease of approximately 5.3%. Such a decrease was mainly attributable to the decrease in the purchase price for the goods purchased during the Relevant Period.

Gross Profit

Gross profit of the Group increased by approximately 6.3% from approximately HK\$38.5 million for the nine months ended 31 December 2016 to approximately HK\$41.0 million for the Relevant Period. The increase was mainly driven by the result of increase in revenue and decrease in the cost of sales for the Relevant Period as discussed above.

Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by approximately 1.8% from approximately HK\$24.8 million for the nine months ended 31 December 2016 to approximately HK\$25.2 million for the Relevant Period. Selling and marketing expenses primarily comprised of rental payments and related expenses for the shop premises, warehouses and office; staff costs attributable to the salary of the staff engaged in sales and marketing activities; marketing expenses; payment gateway charges attributable to fees for the payment channels such as credit cards or EPS; and electricity and water expenses. The increase was mainly due to the increase in rental payments and related expenses arising from Sha Tin Store which opened in October 2016, partially offset by the decrease in staff costs resulting from the resignation of a member of senior management in June 2017.

Administrative Expenses

Administrative expenses of the Group increased by approximately 6.9% from approximately HK\$8.4 million for the nine months ended 31 December 2016 to approximately HK\$9.0 million for the Relevant Period. Administrative expenses primarily consist of staff costs for the administrative staff and Directors' emolument (but excluding share-based compensation expense); professional fees which included legal fees, accounting fees, consultancy fees and auditor's remuneration; travel expenses; office expenses; depreciation of the property, plant and equipment, and amortisation of the intangible assets; repairs and maintenance for the Group's trucks and retail stores. The increase was mainly attributable to the increase in staff salary resulting from higher costs in hiring of a senior administration staff.

Listing-related expenses

During the nine months ended 31 December 2016, the Group recognised non-recurring listing expenses of approximately HK\$5.2 million, and HK7.9 million during the Relevant Period in connection with the listing of the Company's shares on the GEM Board of Stock Exchange (the "Listing").

Share-based compensation expenses

Share-based compensation expenses of the Group decreased by approximately HK\$1.6 million, from HK\$2.3 million for the nine months ended 31 December 2016 to approximately HK\$0.7 million for the Relevant Period. Share-based compensation expenses were incurred due to the Incentive Shares and the Put Option granted to Ms. Babington in June 2015. The decrease was mainly because the vesting period of share-based compensation scheme effective during the nine-month ended 31 December 2016 was longer than the Relevant Period, while the share-based compensation scheme ended on 30 June 2017.

Income tax expense

Income tax expense for the Group increased by approximately 44.1% from approximately HK\$0.8 million for the nine months ended 31 December 2016 to approximately HK\$1.1 million for the Relevant Period. The increase was mainly due to the increase in profit before tax, excluding the effect of non-deductible expenses.

Loss and total comprehensive loss for the period

Loss and total comprehensive loss for the period increased by approximately 3.8% from approximately HK\$2.9 million for the nine months ended 31 December 2016 to approximately HK\$3.0 million for the Relevant Period. Such increase was primarily attributable to the net effect of (i) the increase in the listing related expenses for the Relevant Period; and (ii) the increase in selling and marketing expenses and administrative expenses for the Relevant Period and offset by (iii) the increase in revenue and gross profit for the Relevant Period.

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in sale and distribution of furniture and home accessories; distribution and licensing of the intellectual property rights; operation of TREE café in the flagship store; consignment sales (being products consigned from independent third parties for sale in the Group's retail stores); and provision of styling and consulting services.

Regarding the sale and distribution of furniture and home accessories segment,

- **The direct retail sales**, the Group currently operating three retail stores in Hong Kong Island and New Territories, which are the Flagship Store, Sai Kung Store and Sha Tin Store. The Group believe that expanding the retail network and geographical footprint will further strengthen the existing network and lead to greater exposure for the products and brand.
- **The distribution channel**, in 2015, the Group started to distribute the products in Chaoyang District, Beijing, PRC, through the PRC distributor by entering into the Framework Distribution Agreement. On 27 January 2017, the Group entered into the second supplemental distribution agreement with the PRC distributor for the distribution of the products in Hainan province, the PRC. The Company's Directors believe that such kind of arrangement can enhance the market presence outside Hong Kong and diversify the revenue base with limited capital requirements and obligations on the part.

Regarding the distribution and licensing of the Group's intellectual property rights, the Group has entered into distribution arrangement with the PRC distributor for its exclusive right to operate and sell the Group's products at the retail stores under the Group's "TREE Brand" in Beijing and Hainan province, the PRC. The Group entered into the renewed distribution agreement with the PRC distributor on 17 October 2017 to renew the Distribution Agreement which will expire on 30 June 2018. The renewed distribution agreement will take effect from 1 July 2018 for a period of three years.

Regarding the food and beverage income, the Group has operated TREE café in the flagship store where the Group serve beverages and light refreshments. The income from this segment are expected to increase coming forward.

Regarding the commission income, the Group derived revenue from consignment sales of home accessories which are sold in the Group's retail stores. While the Group take physical possession of the consignment products, the Group do not assume all the risks and rewards as ownership of the consignment products remains with the consignors until they are sold to the customers. The income stream is expected to be stable.

Regarding the provision of styling and consulting services, the Group provided styling and consulting services including 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 on two occasions.

Looking forward, the Company's Directors consider that the future opportunities and challenges which the Group faces will be affected by the retail market in Hong Kong as well as factors affecting the labour costs and the furniture and home accessories costs. The Company's Directors are of the view that the number of residential properties sold in Hong Kong and PRC is the key driver for the growth of the furniture and home accessories industry.

With the Group's experienced management team and reputation in the market, the Company's Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors, and the Group will continue to pursue the following key business strategies: (i) expand the sales network, (ii) promote and strengthen brand image and recognition, (iii) enhance styling and consulting service, and (iv) enhance operational efficiencies.

DISCLOSURE OF INTERESTS

(i) **Interests and short positions of the Company's Directors in the Company's Shares, underlying Shares and debentures and the Company's associated corporations after completion of the capitalisation issue and the share offer**

Immediately after completion of the capitalisation issue and the share offer (without taking into account any of the Company's shares that may be allotted and issued upon the exercise of any option which may be granted under the share option scheme), the interests or short positions of the Company's Directors in the Company's Shares, underlying Shares or debentures which will have 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 in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or which will be 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, will be as follows:

i. Long position in the Shares

| Name of Director | Capacity/ nature of interest | Number of shares (Note 1) | Approximate percentage of shareholding |
|---|--|--|---|
| Mr. TONG Tang Joseph (the "Mr. Tong") | Interest in a controlled corporation (Note 2) | 1,104,840,000 Shares (L) | 69.8% |
| Ms. Babington | Interest in a controlled corporation (Note 3) | 59,400,000 Shares (L) | 3.7% |
| Ms. Nicole Lucy HASLOCK (the "Ms. Haslock") | Interest in a controlled corporation (Note 4) | 23,760,000 Shares (L) | 1.5% |

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 will be owned as to 69.8% by Tiptop immediately after completion of the Capitalisation Issue and the share offer (without taking into account any of the Group's shares that may be allotted and issued upon the exercise of any option which may be granted under the share option scheme). 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 will be owned as to 3.7% by Rothley immediately after completion of the Capitalisation Issue and the share offer (without taking into account any of the Group's shares that may be allotted and issued upon the exercise of any option which may be granted under the share option scheme). 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. The Company will be owned as to 1.5% by Savvy immediately after completion of the Capitalisation Issue and the share offer (without taking into account any of the Group's shares that may be allotted and issued upon the exercise of any option which may be granted under the share option scheme). Savvy is wholly-owned by Ms. Haslock. Under the SFO, Ms. Haslock is deemed to be interested in the same number of shares held by Savvy.

(ii) Interests and short positions of substantial shareholders in the Company's Shares, underlying Shares and debentures and the Company's associated corporations after completion of the capitalisation issue and the share offer

Immediately after completion of the capitalisation issue and the share offer (without taking into account any of the Group's shares that may be allotted and issued upon the exercise of any option which may be granted under the share option scheme), so far as the Company's Directors are aware, the following persons (not being the Company's Directors or the Company's chief executive) will have an interest or short position in the Company's shares or underlying Shares which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be 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 Company:

| Name | Capacity/ nature of interest | Number of shares (Note 1) | Approximate percentage of shareholding |
|---------------------------|---|--|---|
| Tiptop | Beneficial owner (Note 2) | 1,104,840,000 Shares (L) | 69.8% |
| Ms. Shum Yuet Wah Anna | Interest of spouse (Note 3) | 1,104,840,000 Shares (L) | 69.8% |

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 will be owned as to 69.8% by Tiptop immediately after completion of the Capitalisation Issue and the share offer (without taking into account any of the Group's shares that may be allotted and issued upon the exercise of any option which may be granted under the share option scheme).
3. Tiptop is wholly-owned by Mr. Tong, the Company's chairman, one of the Company's non-executive Directors 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.

COMPETING INTERESTS

During the Relevant Period, so far as the Directors are aware, none of the Directors or the controlling shareholders of the Company, neither themselves nor their respective close associates (as defined in the GEM Listing Rules) had any business or interest that competes or may compete with the business of the Group, or any other conflict of interests which any such person has or may have with the Group.

INTEREST OF COMPLIANCE ADVISOR

As notified by the Company's compliance advisor, Oceanwide Capital Limited (the "Compliance Advisor"), save for the compliance advisor agreement entered into between the Company and the Compliance Advisor dated on 21 December 2016, neither the Compliance Advisor nor any of its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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

During the Relevant Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 report, the Company has complied with the applicable code provisions of the CG Code.

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 conditionally adopted the Share Option Scheme on 5 January 2018 (the "Scheme"). The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants to recruit and retain high-caliber employees and attract people that are valuable to the Group. The terms of the 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 report, no share options were granted by the Company under the Share Option Scheme.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") on 25 January 2018 with its written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraphs C3.3 and C3.7 of the CG Code. The primary duties of the Audit Committee are to review and monitor the financial reporting process and the internal control and risk management systems of the Group, nominate and monitor external auditors and to provide advices and comments to the Board on matters related to corporate governance. The Audit Committee consists of three members, namely Mr. YEUNG Man Chung Charles, Mr. TSANG Wai Yin, Mr. SIT Hoi Wah Kenneth, all being independent non-executive Directors of the Company. Mr. YEUNG Man Chung Charles currently serves as the chairman of the Audit Committee.

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

By order of the Board
Tree Holdings Limited
TONG Tang Joseph
Chairman

Hong Kong, 9 February 2018

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



TREE HOLDINGS LIMITED

齊家控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock Code 股份代號：8395

