

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



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 2019**

**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 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.

*This announcement, 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 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.*

FINANCIAL HIGHLIGHT

- The Group's revenue amounted to approximately HK\$46.7 million for the six months ended 30 September 2019, representing an increase of approximately HK\$4.0 million or 9.3% as compared with the six months ended 30 September 2018.
- The profit and total comprehensive income of the Group was approximately HK\$4.7 million for the six months ended 30 September 2019, representing an increase of approximately HK\$3.2 million or 220.3% as compared with the six months ended 30 September 2018.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2019.

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 2019 (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 2018, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 September 2019

		Six months ended 30 September	
	Notes	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	3	46,695	42,727
Cost of sales		(13,685)	(14,211)
Gross Profit		33,010	28,516
Other income		455	121
Selling and marketing expenses		(19,142)	(19,162)
Administrative expenses		(8,656)	(7,649)
Finance costs		(264)	(89)
Profit before income tax		5,403	1,737
Income tax expense	4	(717)	(274)
Profit and total comprehensive income for the period attributable to equity holders of the Company		4,686	1,463
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share)			
— Basic and diluted	5	0.30	0.09

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2019

		30 September 2019 <i>HK\$'000</i> (Unaudited)	31 March 2019 <i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		3,067	3,546
Right-of-use asset		11,364	–
Intangible assets		412	222
Goodwill		23,426	23,426
Cash surrender value of life insurance		1,784	1,755
Deferred tax assets		286	286
		40,339	29,235
Current assets			
Inventories		12,082	13,763
Trade and other receivables	7	45,409	35,655
Tax recoverable		1,055	255
Bank balances and cash		16,257	22,795
		74,803	72,468
Current liabilities			
Trade and other payables	8	12,026	11,846
Deferred revenue		–	–
Contract liabilities		7,281	10,592
Income tax liabilities		1,200	258
Interest-bearing borrowings		1,323	717
Lease liability		4,033	–
		25,863	23,413
Net current assets		48,940	49,055
Total assets less current liabilities		89,279	78,290
Non-current liabilities			
Interest-bearing borrowings		–	896
Contingent consideration payable		26,987	26,987
Lease liability		7,834	–
		34,821	27,883
Net assets		54,458	50,407
EQUITY			
Share capital		15,840	15,840
Reserves		38,618	34,567
Total equity		54,458	50,407

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 2019*

	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 2019 (audited)	15,840	31,564	5,474	(2,471)	50,407
Adjustment from adoption of HKFRS 16	-	-	-	(635)	(635)
Restated balance as at 1 April 2019	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
Balance as at 1 April 2018 (audited)	15,840	31,564	5,474	(3,563)	49,315
Profit and total comprehensive income for the period	-	-	-	1,463	1,463
Balance as at 30 September 2018 (unaudited)	15,840	31,564	5,474	(2,100)	50,778

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 2019*

	Six months ended	
	30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash (used in)/from operating activities	(1,421)	845
Net cash used in investing activities	(4,177)	(1,440)
Net cash used in financing activities	(940)	(1,637)
Net decrease in cash and cash equivalents	(6,538)	(2,232)
Cash and cash equivalents as at 1 April	22,795	35,960
Cash and cash equivalents as at 30 September	16,257	33,728
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	16,257	33,728
	16,257	33,728

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 (the “**Company**”) 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 2019, 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 2019 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 Hong Kong Accounting Standard 34 (HKAS 34) “**Interim Financial Reporting**” issued by the HKICPA. 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.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 “**Leases**” will replace HKAS 17 and three related Interpretations.

Under HKFRS 16, distinctions of operating leases and finance leases are removed for lease accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

As allowed by HKFRS 16, the Group has elected the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases, and has applied the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application, 1 January 2019. The Group has opted the modified retrospective approach for the adoption of HKFRS 16 on 1 January 2019 and recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information will not be restated.

Based on the allowed practical expedients under HKFRS 16, the Group has elected not to apply the new accounting model to short-term leases and leases of low-value assets, not to perform a full review of existing leases and apply HKFRS 16 only to new contracts and to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease.

The following table summarises the impacts of applying HKFRS 16 on the Group’s consolidated statement of comprehensive income. Line items that were not affected by the changes have not be included.

Impacts on consolidated statement of comprehensive income for the six months ended 30 September 2019

	Six months ended 30 September 2019		
	(Unaudited)		
	As reported	Results without application of HKFRS 16	(Decrease)/ increase in profit for the period
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Selling and marketing expenses	(19,142)	(19,407)	265
Income tax expenses	(717)	(711)	(6)
Finance costs	(264)	(36)	(228)
Profit and total comprehensive income for the period attributable to equity holders of the Company	<u>4,686</u>	<u>4,655</u>	<u>31</u>
	31 March 2019		1 April 2019
	As originally presented	HKFRS 16	Restated
Consolidated statement of financial statement			
Non-current asset			
Right-of-use asset	–	8,643	8,643
Current liability			
Lease liability	–	5,300	5,300
Non-current liability			
Lease liability	–	3,978	3,978
Equity			
Reserves	<u>34,567</u>	<u>(635)</u>	<u>33,934</u>

The HKICPA has issued certain new and revised HKFRSs. For those which are effective for accounting periods beginning on or after 1 January 2019, the adoption has no material impact on how the results and financial positions of the Group for the current and prior periods have been prepared and presented. For those which are not yet effective and have not been early adopted in prior accounting periods, the Group is in the process of assessing their impact on the Group's results and financial position.

3. REVENUE

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

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Types of goods or services		
Sale of furniture and home accessories	35,487	39,184
Distribution and license fee income	1,600	1,600
Food and beverage income	1,419	1,431
Commission income	7,393	74
Consulting income	796	438
	<hr/>	<hr/>
Total	46,695	42,727
	<hr/> <hr/>	<hr/> <hr/>

4. INCOME TAX EXPENSE

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	717	274
	<hr/> <hr/>	<hr/> <hr/>

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%.

5. 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	
	2019	2018
	(Unaudited)	(Unaudited)
Profit for the period attributable to equity holders of the Company (HK\$'000)	4,686	1,463
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (thousands)	1,584,000	1,584,000
Basic earnings per share (expressed in HK cents per share)	0.30	0.09

The weighted average number of ordinary shares used to calculate the basic earnings per share for the six-month periods ended 30 September 2019 and 30 September 2018 includes (i) 100 ordinary shares in issue immediately prior to capitalisation issue; (ii) 1,187,999,900 new ordinary shares issued under capitalisation issue, and (iii) 396,000,000 new ordinary shares issued under the public offer and placing of shares of the Company.

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 2018, and the Relevant Period.

6. DIVIDEND

The Board does not recommend the payment of an interim dividend for the Relevant Period (2018: nil).

7. TRADE AND OTHER RECEIVABLES

	As at	As at
	30 September	31 March
	2019	2019
<i>Notes</i>	HK\$'000	HK\$'000
Trade receivables		
From third parties	31,162	24,451
From a related company	232	232
<i>(a)</i>	31,394	24,683
Other receivables		
Deposits, prepayments and other receivables	6,817	6,375
Prepayment to suppliers	5,398	2,197
Prepayment to a related company	1,800	2,400
<i>(b)</i>	14,015	10,972
	45,409	35,655

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 to its customers are in cash, by credit card, or by other forms of electronic payments (such as EPS). There were no credit terms granted to the customers and distributor, 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 2019 HK\$'000	As at 31 March 2019 HK\$'000
1-30 days	4,315	8,397
31-90 days	6,634	6,268
Over 90 days	<u>20,445</u>	<u>10,018</u>
	<u>31,394</u>	<u>24,683</u>

As the end of the reporting period, the Group reviews receivables for evidence of impairment on an individual basis. As at 30 September 2019, 93% (2018: nil) of the total trade receivables was due from a customer arisen from the furniture agency service and none of the trade receivables was determined as individually impaired and written off as bad debts (31 March 2019: nil).

(b) Other receivables

As at 30 September 2019, none of the amounts included in other receivables were either past due or impaired (31 March 2019: nil).

8. TRADE AND OTHER PAYABLES

	As at 30 September 2019 HK\$'000	As at 31 March 2019 HK\$'000
Trade payables		
To third parties	<i>(a)</i> <u>4,559</u>	<u>4,238</u>
Other payables		
Accrued charges and other payables	<u>7,467</u>	<u>7,608</u>
	<u>12,026</u>	<u>11,846</u>

All amounts are short-term and hence the carrying values of the Group's trade and other payables as at 30 September 2019 and 31 March 2019 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 recognition date is as follows:

	As at 30 September 2019 <i>HK\$'000</i>	As at 31 March 2019 <i>HK\$'000</i>
0-30 days	2,303	4,215
31-90 days	2,252	18
Over 90 days	4	5
	<u>4,559</u>	<u>4,238</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue increased from approximately HK\$42.7 million for the six months ended 30 September 2018 to approximately HK\$46.7 million for the Relevant Period, representing a growth of approximately 9.3%. Such increase was mainly due to the increase in commission income generated from Hong Kong Italiving International Company Limited (“**HK Italiving**”) newly acquired in December 2018. For providing furniture agency service, and consulting income, partly offset by a decrease in revenue from sale of furniture and home accessories.

Cost of sales

The Group's cost of sales decreased from approximately HK\$14.2 million for the six months ended 30 September 2018 to approximately HK\$13.7 million for the Relevant Period, representing a decrease of approximately 3.7%. 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 increased by approximately 15.8% from approximately HK\$28.5 million for the six months ended 30 September 2018 to approximately HK\$33.0 million for the Relevant Period. The gross profit margin for the Relevant Period improved to 70.7% from 66.7% for the six months ended 30 September 2018.

Selling and marketing expenses

Our selling and marketing expenses comprised (i) depreciation expense of right of use asset and related expenses for our shop premises, warehouses and office; (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 remained relatively stable at approximately HK\$19.1 million for the six months ended 30 September 2019.

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, auditor's remuneration, share registrar fee, compliance advisory fee, and other post-listing fees; (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; and (x) others which included motor vehicle expenses, donations, net foreign exchange losses and entertainment expenses.

Our administrative expenses of the Group increased by approximately 13.2% from approximately HK\$7.6 million for the six months ended 30 September 2018 to approximately HK\$8.7 million for the Relevant Period. The increase was mainly attributable to the increase in expenses in relation to the furniture agency services business, staff cost and professional fees.

Income tax expense

The income tax expense of the Group increased by 161.7% to approximately HK\$0.7 million for the Relevant Period from approximately HK\$0.3 million for the six months ended 30 September 2018.

Profit for the period

Our Group recorded an increase in profit by approximately 220.3% from approximately HK\$1.5 million for the six months ended 30 September 2018 to approximately HK\$4.7 million for the Relevant Period, primarily due to the increase in revenue generated from provision of furniture agency service by HK Italiving newly acquired in December 2018.

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; and (v) the provision of styling and consulting services. 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, jars, cushions, mattresses, utensils 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 new subsidiary, Shanghai Italiving International Co., Ltd. ("**Shanghai Italiving**"), was incorporated in July 2019. Shanghai Italiving is principally engaged in the provision of furniture agency service in the PRC.

As at the date of this announcement, we operated three “TREE” retail stores in Hong Kong namely, our Flagship Store, our Sha Tin store, and our Yuen Long store.

During the six months ended 30 September 2019, 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 2019 and 2018:

	Six months ended	
	30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of furniture and home accessories	35,487	39,184
Distribution and license fee income	1,600	1,600
Food and beverage income	1,419	1,431
Commission income	7,393	74
Consulting income	796	438
	<u>46,695</u>	<u>42,727</u>

For the six months ended 30 September 2019, our revenue amounted to approximately HK\$46.7 million, representing an increase of approximately HK\$4.0 million or 9.3% from approximately HK\$42.7 million for six months ended 30 September 2018. Such increase was mainly attributable to the increase in commission income and consulting income contributed by the furniture agency service provided by HK Italiving, partly offset by a decrease in sale of furniture and home accessories.

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 2019 and 2018, respectively.

	Six months ended 30 September 2019		2018	
	Revenue HK\$'000	% of total revenue from sale of furniture and home accessories %	Revenue HK\$'000	% of total revenue from sale of furniture and home accessories %
Direct Sales				
Flagship Store	24,447	68.9	28,516	72.8
Sai Kung store ⁽¹⁾	–	–	720	1.8
Sha Tin store	7,069	19.9	7,431	19.0
Yuen Long store ⁽²⁾	1,519	4.3	1,561	4.0
Online sales	1,536	4.3	–	–
Sub-total	34,571	97.4	38,228	97.6
Distribution Sales	916	2.6	956	2.4
Total	35,487	100.0	39,184	100.0

Notes:

(1) Our Sai Kung store ceased operations in May 2018.

(2) Our Yuen Long store commenced operations in May 2018.

For the six months ended 30 September 2019, revenue generated from the Direct Sales amounted to approximately HK\$34.6 million, representing a decrease of approximately HK\$3.7 million or 9.6% from approximately HK\$38.2 million for the six months ended 30 September 2018. Such decrease was primarily attributable to the (i) lower sales generated by all of our stores, and (ii) no sales was recognised this year in Sai Kung Store as we ceased operation of Sai Kung store in May 2018, partly offset by the online sales commenced during the period.

For the six months ended 30 September 2019, revenue generated from the Distribution Sales amounted to approximately HK\$0.9 million, which remain relatively stable when comparing to the six months ended 30 September 2018 of approximately HK\$1.0 million.

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 2019 and HK\$1.6 million for the six months ended 30 September 2018, respectively, representing approximately 3.4% and 3.7% of our total revenue for the six months ended 30 September 2019 and 2018, respectively.

Food and beverage income

Our food and beverage income generated from operating TREE Café in our Flagship Store remained stable at approximately HK\$1.4 million for the six months ended 30 September 2019 and 2018.

Commission income

Our commission income comprised income generated from (i) the furniture agency service by HK Italiveing; and (ii) the sales of consignment goods. The increase of approximately HK\$7.3 million was mainly contributed by the furniture agency service provided by HK Italiveing.

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\$0.8 million in relation to Hong Kong residential show flats.

PROSPECTS

The economy of Hong Kong has been negatively affected by the PRC-US conflicts since the second quarter of 2018 and the recent political and social unrest, and our industry continues to be challenging in Hong Kong with increasing competition and rising costs. However, we have taken a number of proactive measures to strengthening our capabilities including the launch of online e-commerce platform and the launch of a new furniture rental business in Hong Kong.

Outside Hong Kong, we are actively expanding in the PRC where the market potential is huge. In addition to the sale of Tree products in the PRC, our acquisition of HK Italiveing in December 2018 also enables us to expand our product offerings of premium Italian furnitures to customers in the PRC and Hong Kong.

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 actual net proceeds from the issue of new shares of the Company under the Share Offer was different from the estimated net proceeds of approximately HK\$22.7 million as set out in the Prospectus. The Group adjusted the use of proceeds in the same manner and in the same proportion as shown in the Prospectus, which is (i) approximately 71.5% of the total actual net proceeds, or approximately HK\$14.5 million will be used to expand our sales network, (ii) approximately 10.1% of the total actual net proceeds, or approximately HK\$2.1 million, will be used to promote and strengthen brand image and recognition, (iii) approximately 9.1% of the total actual net proceeds, or approximately HK\$1.8 million, will be used to enhance our styling and consulting services and distribution sales, and (iv) approximately 9.3% of the total actual net proceeds, or approximately HK\$1.9 million, will be used to enhance operational efficiencies.

During the period from the Listing Date to 30 September 2019, the Group has utilised HK\$9.2 million, or 45.3% of the actual net proceeds from the Listing for employing a trainer, an interior designer and a project manager; the establishment of an e-commerce platform; the enhancement of the POS system; and the leasehold improvement, marketing, deposit and rental of the Yuen Long store opened in May 2018.

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 2019, 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 (Note 1)	Percentage of shareholding
Mr. TONG Tang Joseph ("Mr. Tong") (Note 4)	Interest in a controlled corporation (Note 2)	1,104,840,000 (L)	69.75%
Ms. Mary Kathleen Babington ("Ms. Babington")	Interest in a controlled corporation (Note 3)	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 69.75% 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 2019, 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 2019, 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 Company:

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)	1,104,840,000 (L)	69.75%
Ms. Shum Yuet Wah Anna	Interest of spouse (Note 3)	1,104,840,000 (L)	69.75%

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 69.75% 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 2019, 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 Company.

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 2019.

INTERESTS OF COMPLIANCE ADVISER

As at the date of this announcement, except for the compliance adviser agreement entered into between the Company and China Tonghai Capital Limited (formerly known as "**Oceanwide Capital Limited**") (the "**Compliance Adviser**"), neither the Compliance Adviser, nor any of its directors, employees or close associates have any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to Rule 6A.32 of the GEM Listing Rules.

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

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 2019.

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 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, 12 November 2019

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; and Mr. YEUNG Man Chung Charles, Mr. TSANG Wai Yin, and Mr. SIT Hoi Wah Kenneth as the independent non-executive Directors.