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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)

DISCLOSEABLE TRANSACTION
ACQUISITION OF 100% OF THE TARGET COMPANY

SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that on 14 December 2018 (after trading hours), Tree Investment, a wholly-owned subsidiary of the Company, as the purchaser, the Seller and the Guarantor entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to purchase and the Seller has conditionally agreed to sell 100% of the Target Company at a cash consideration of up to HK\$40 million.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial statements of the Company.

GEM LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios (as defined under the GEM Listing Rules) for the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules. The Acquisition is subject to the reporting and announcement requirements but is exempt from the Shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

Completion of the Acquisition is subject to the fulfilment or waiver (as the case may be) of certain conditions precedent as set out in the Sale and Purchase Agreement which are more particularly described in the section headed "Conditions precedent" of this announcement. There is no assurance that any of the conditions precedent to the Sale and Purchase Agreement will be fulfilled or waived (as the case may be) prior to the Long Stop Date. Therefore, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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SALE AND PURCHASE AGREEMENT

Summarised below are the principal terms of the Sale and Purchase Agreement:

Date

14 December 2018 (after trading hours)

Parties

- (a) Tree Investment (as purchaser)
- (b) the Seller (as vendor)
- (c) Mr. Han Yi (as guarantor)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Seller, the Guarantor, the Target Company and their respective ultimate beneficial owners is an Independent Third Party.

Assets to be acquired

As at the date of this announcement, 100% of the Target Company is owned by the Seller.

Pursuant to the Sale and Purchase Agreement, Tree Investment has conditionally agreed to purchase and the Seller has conditionally agreed to sell 100% of the Target Company at the Consideration of up to HK\$40 million.

Consideration

The Consideration of up to HK\$40 million shall be settled by Tree Investment in cash in the following manner:

- (A) upon Completion, a sum of HK\$3,000,000;
- (B) within 3 months from the date of Completion, a sum of HK\$3,500,000;
- (C) within 1 month from the date of the audited account of the Target Company for the year ending 31 December 2019, provided that the net profit before tax of the Target Company for the year ending 31 December 2019 is not less than HK\$5,200,000, a sum equals 2 times of the net profit before tax of the Target Company minus HK\$6,500,000 paid under (A) & (B) above;

- (D) within 1 month from the date of the audited account of the Target Company for the year ending 31 December 2020, provided that the net profit before tax of the Target Company for the year ending 31 December 2020 is not less than HK\$6,200,000, a sum equals 1.8 times of the net profit before tax of the Target Company; and
- (E) within 1 month from the date of the audited account of the Target Company for the year ending 31 December 2021, provided that the net profit before tax of the Target Company for the year ending 31 December 2021 is not less than HK\$9,300,000, a sum equals 1.4 times of the net profit before tax of the Target Company.

Notwithstanding the aforementioned payment schedule, Tree Investment shall not be under any obligation to pay a sum exceeding HK\$40,000,000 in aggregate as the Consideration or when the above obligation has been discharged. It is expected that the Consideration will be satisfied by internally generated funds of the Group.

Basis of the Consideration

The Consideration was determined among the Company and the Seller after arm's length negotiations having considered, (i) the future prospect of the Target Company; (ii) the financial performance of the Target Company for the two years ended 31 July 2018; and (iii) other factors as set out in the paragraph headed "Reasons for and benefits of the Acquisition" below.

Conditions precedent

Completion is subject to the satisfaction and/or waiver (by Tree Investment) (as the case may be) of the following conditions precedent:

- (a) Tree Investment having completed and satisfied in its absolute discretion with the results of their due diligence investigation;
- (b) if required, all approvals, consents, authorisations and licences (so far as are necessary) in relation to the transactions contemplated under this Agreement having been obtained from the relevant governmental authorities;
- (c) Tree Investment being satisfied in its absolute discretion, from the date of the Sale and Purchase Agreement and at any time before Completion, that the warranties under the Sale and Purchase Agreement remain true and accurate in all material respects, not misleading or in breach in any material respect and that no events have suggested that there were any breach in any material respect of any warranties or other provisions of the Sale and Purchase Agreement by the Seller;
- (d) the Purchaser being satisfied in its absolute discretion, from the date of the Sale and Purchase Agreement to Completion, there has not been any material adverse change in respect of the financial position and operations of the Target Company;
- (e) The Guarantor shall resign as director or senior management and no longer own shares or interests of/in companies (other than the Target Company) that engage in furniture sales and trading activities; and

- (f) Tree Investment being satisfied with a positive background search results of the Seller, the Guarantor and the Target Company.

Tree Investment may at its absolute discretion at any time waive in writing any of the conditions precedent referred above (save and except paragraph (b) and (c)) (to the extent it is capable of waiving) and such waiver may be made subject to such terms and conditions as are determined by Tree Investment. If all the conditions precedent have not been satisfied or waived by 5:00 p.m. on the Long Stop Date then the Sale and Purchase Agreement shall cease to be effective and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof. As at the date of this announcement, conditions (a) to (c) and (f) above were fulfilled.

Completion

Completion shall take place on the Completion Date or such later date as may be agreed in writing by the Seller and Tree Investment. Upon Completion, the Target Company will become a direct wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial statements of the Company.

INFORMATION ON THE SELLER AND THE GUARANTOR

The Seller is a company incorporated in the British Virgin Islands with limited liability. It is principally engaged in investment holding. The Guarantor is the 100% shareholder of the Seller and will guarantee the full, prompt and complete performance by the Seller of all of its obligations and liabilities under or arising out of or in connection with the Sale and Purchase Agreement.

INFORMATION ON THE COMPANY AND THE GROUP

The Company is incorporated in Cayman Islands with limited liability. The Group is principally engaged in sales of furniture and home accessories.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability and is principally engaged in trading of furniture that are primarily imported from Italy. The customers of the Target Company are primarily based in the PRC.

Set out below is the audited financial information of the Target Company for the two years ended 31 July 2018:

	For the year ended 31 July 2018 HK\$	For the year ended 31 July 2017 HK\$
Net profit before tax and extraordinary items	745,877	1,395,865
Net profit after tax and extraordinary items	745,877	1,395,865

As at 31 July 2018, the audited net liabilities of the Target Company was HK\$454,940.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is principally engaged in the sale of furniture and home accessories. Having considered the experience and potential business scale of the Target Company in trading of furniture as well as the existing customer base of the Target Company, the Directors consider the Acquisition presents a valuable opportunity to broaden the income base of the Group and further facilitate the development of the Group's principal business, which is expected to give a positive impact to the operations, financial results and profitability of the Group. The Directors also believe that the Acquisition will enhance the Company's ability to undertake more sales given that it would enable the Company to broaden the diversity and branding of furniture products, which will further enhance the Company income and market reputation at the same time.

Having considered the above factors, the Directors consider that the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

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Completion of the Acquisition is subject to the fulfilment or waiver (as the case may be) of certain conditions precedent as set out in the Sale and Purchase Agreement which are more particularly described in the section headed "Conditions precedent" of this announcement. There is no assurance that any of the conditions precedent to the Sale and Purchase Agreement will be fulfilled or waived (as the case may be) prior to the Long Stop Date. Therefore, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the meanings set out below:

“Acquisition”	the acquisition of 100% of the Target Company by Tree Investment from the Sellers pursuant to the Sale and Purchase Agreement
“Board”	the board of Directors of the Company
“Business Day(s)”	a day (other than a Saturday, Sunday and public holiday in the PRC) on which licensed banks in Hong Kong generally are open for business
“Company”	Tree Holdings Limited, a company incorporated in Cayman Islands with limited liability whose issued Shares are listed and traded on the GEM with stock code of 8395
“Completion”	completion of the Acquisition pursuant to the Sale and Purchase Agreement
“Completion Date”	means the date which is the fifth (5th) Business Day after the date on which the conditions precedent are satisfied or waived or such other date as the Seller and Tree Investment may agree in writing
“connected person(s)”	has the meaning as ascribed thereto under the GEM Listing Rules
“Consideration”	the consideration of up to HK\$40 million, depending on the net profit before tax of the Company for the three financial years ending 31 December 2021
“Director(s)”	the director(s) of the Company
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Han Yi, the 100% shareholder of the Seller
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a third party(ies) which is(are) independent of and not connected with the Company and its connected persons and not otherwise a connected person of the Company

“Long Stop Date”	31 December 2018 or such later date to be agreed between Tree Investment and the Seller in writing
“Sale and Purchase Agreement”	the sale and purchase agreement dated 14 December 2018 entered into among Tree Investment, the Seller and the Guarantor
“Seller”	Perfect Bright Management Company Limited, a company incorporated in the British Virgin Islands with limited liability
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Hong Kong Italiving International Co., Limited, a company incorporated in Hong Kong with limited liability which is owned as to 100% by the Seller
“Tree Investment”	Tree Investment Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“%”	per cent

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

Hong Kong, 14 December 2018

As at the date of this announcement, 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.

This announcement, for which the directors of the Company 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 of the Company, 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 “Latest Company Announcements” page of the Stock Exchange of Hong Kong Limited’s website at www.hkexnews.hk for 7 days from the date of its posting. This announcement will also be posted on the Company’s website at www.treeholdings.com.