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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)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus issued by Tree Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 12 January 2018 in relation to the Share Offer (the “**Prospectus**”), the announcement of the Company dated 17 December 2018 in relation to the discloseable transaction acquisition (the “**Announcement**”) and the quarterly report of the Company for the nine months period ended 31 December 2019 (the “**Quarterly Report**”) dated 13 February 2020. Unless the context otherwise defined, capitalised terms used herein shall have the same meaning as defined in the Prospectus, the Announcement and the Quarterly Report.

The Board announces that, after considering the existing business condition and development of the Group, it has resolved to change the use of proceeds from the Listing.

USE OF PROCEEDS

As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus and the section headed “Use of Proceeds” in the Quarterly Report, the Company intended to apply and utilise the net proceeds from the Share Offer of approximately HK\$20.3 million (the “**Net Proceeds**”) as follows:

- approximately 71.5%, or HK\$14.5 million, to expand our sales network;
- approximately 10.1%, or approximately HK\$2.1 million, to promote and strengthen brand image and recognition;
- approximately 9.1%, or approximately HK\$1.8 million, to enhance our styling and consulting services and distribution sales; and

- approximately 9.3%, or approximately HK\$1.9 million, to enhance operational efficiencies

As at the date of this announcement, the Group had utilised approximately HK\$12.3 million, representing 60.6% of the Net Proceeds from the Listing for the staff costs of an interior designer; the establishment of an e-commerce platform; the enhancement of the POS system; and for the leasehold improvement, marketing, deposit and rental of the Yuen Long store opened in May 2018.

USE OF PROCEEDS

As at the date of this announcement, the unutilised Net Proceeds amounted to approximately HK\$8.0 million (the “**Unutilised Net Proceeds**”). The Board having considered the business environment and the development of the Group (in particular the political and social unrest in 2019 and the outbreak of the COVID-19 in the PRC and Hong Kong), resolved to change the use of the Unutilised Net Proceeds of approximately HK\$8.0 million for the settlement of the future consideration payable in relation to the acquisition (the “**Acquisition**”) of Hong Kong Italiving International Limited (“**Italiving**”), which was completed on 31 December 2018, as disclosed in the Announcement. The Group expects to settle an amount of not less than approximately HK\$11.2 million within one month from the date of the audited account of Italiving for the year ending 31 December 2020 in relation to the Acquisition.

REASONS FOR AND THE BENEFITS OF THE CHANGE IN USE OF PROCEEDS

As disclosed in the Quarterly Report, the Company intends to use approximately 71.5%, or HK\$14.5 million, of the Net Proceeds to expand the sales networking through opening three new retail stores. Nonetheless, the economy of Hong Kong and the sentiment of the retail business in Hong Kong have been negatively affected by the recent political and social unrest in 2019 and the outbreak of the COVID-19 globally, the Group expects to face continuous challenges and pressures in its furniture business in the future. Therefore, the Company considered that there will not be a present need to further expand its sales networking through opening new retail store as planned. In addition, since completion of the Acquisition on 31 December 2018 and up to 31 December 2019, Italiving has contributed to the results of the Group by generating approximately HK\$13.4 million of commission income. As such, the Company considers it is more reasonably and commercially beneficial to change the use of the approximately HK\$8.0 million balance of the Unutilised Net Proceeds as the settlement of the future consideration payable in relation to the Acquisition.

For the avoidance of doubt, all other proceeds raised from the Listing have been utilised in accordance with the plans of the Company as disclosed in the Prospectus.

The Board is of the view that the change in use of Net Proceeds would not materially affect the business of the Group as a whole, and would meet the financial needs of the Group more efficiently with regard to the latest development of the Group's business operations. The Board believes that the above change is in line with the business strategy of the Group and will not adversely affect the operation and business of the Group, and that such change in use of Net Proceeds is in the interest of the Company and its Shareholders as a whole. The Board also confirms that there is no material change in the principal business of the Group as set out in the Prospectus.

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

Hong Kong, 19 June 2020

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

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

This announcement will appear on the GEM website (www.hkgem.com) for at least seven days after the date of publication and on the website of the Company (www.treeholdings.com).