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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)

SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO THE ANNUAL RESULTS ANNOUNCEMENT AND
THE ANNUAL REPORT
FOR THE YEAR ENDED 2023

Reference is made to the annual results announcement for the year ended 31 March 2023 (the “**2023 Annual Results Announcement**”) dated 20 June 2023 and the annual report for the year ended 31 March 2023 (the “**2023 Annual Report**”) dated 28 June 2023 of Tree Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the 2023 Annual Results Announcement.

The Company would like to provide the following supplemental information which should be read in conjunction with the 2023 Annual Results Announcement and the 2023 Annual Report.

BUSINESS REVIEW

Money Lending Business

Super Easy Finance Limited (“**SE**”), a wholly owned subsidiary of the Group, holds a money lenders license in Hong Kong. SE offers unsecured loans to individual and corporate customers based on cashflow lending principles. During the year ended 31 March 2023, SE granted 88 loans to 85 individual customers, and 3 loans to 2 corporate customers. None of the individual and corporate customers are associated companies, joint ventures or connected persons of the Group. SE identifies prospective customers through sales referral agents, referral of existing loan customers and the network of its management and staff.

Prospective borrowers are subject to credit verification procedures, including our assessment on their credit worthiness of the customers basing on credit ratings report, their background and occupation, their financial situation, history of default and other factors such as personal guarantors and asset ownership.

The loans offered have tenor ranges between 3 to 60 months, with most of the loans averaging 12 months or less. During the year ended 31 March 2023, SE granted 88 loans that have tenor of 3 to 12 months, and 3 loans that have tenor of more than 12 months and up to 60 months. The interest rate for the loans granted ranges from 7.5% to 48% per annum, whilst the interest rate charged and the amount of collateral required (if required) for each loan depends on the risk of default expected.

(I) Credit Approval, Monitoring and Controls

In managing credit risk, it is SE's policy that all potential loan customers who wish to obtain loans from SE shall be reviewed by the head of the Credit Department. The head of the Credit Department will prepare a report to summarise all available data such as information from the TransUnion Credit Report, including history of default, background of the loan customer and other publicly available information, and propose the loan terms such as loan amount, interest rate and loan tenor. The management of SE will then review the report and approve the loan.

Subsequently, the recoverability of the loan receivables will be monitored on an ongoing basis by the head of the Credit Department. In assessing the possibility of recovering the loan receivables, information such as (i) historical payment records e.g., timely settlement of loan interest or loan principal amounts on the due dates; (ii) the length of the overdue period; and (iii) any foreseeable changes in the economic environment that would significantly deteriorating the borrower's ability to meet its obligation. This will be done on an ongoing basis to decide whether any follow-up action should be taken to avoid potential exposure to recoverability problems.

SE considers that both quantitative and qualitative information are essential for the determination of credit risk, and the determination factors may include historical and forward-looking information that is available without undue cost or effort. By considering all these factors, it is the view of the management of SE that the credit risk of the business can be significantly reduced.

During the year ended 31 March 2023, the grant of loans in relation to money lending business has timely complied with all the relevant requirements under Chapters 19 and 20 of the GEM Listing Rules including the size test and disclosure requirements.

(II) Breakdown of Loan Receivables

SE commenced its business in February 2022, the following table give a summary of its breakdown:

	2023	2022
Loan data:		
Gross loan balance (HK\$)	10,742,888	1,050,000
Loan originated for the year (HK\$)	38,692,000	1,050,000
Number of loans originated	91	3
Average gross balance per loan (HK\$)	425,187	350,000
Ratios for the year:		
Average return on loans	14.9%	1.5%
Loan impairment ratio	0.3%	0.0%

The breakdown of gross loan balance as at 31 March 2023 is as follows:

	Gross loan balance				Total
	HK\$250,000 or below	HK\$500,000 or below but above HK\$250,000	HK\$750,000 or below but above HK\$500,000	Above HK\$750,000	
% of customer	40.7%	37.1%	7.4%	14.8%	100.0%

The ageing analysis of loans receivable as at 31 March 2023 is as follows:

	Loan tenor				Total
	0–90 days	91–180 days	181–270 days	More than 270 days	
Loans receivable	560,000	2,934,539	6,299,900	948,449	10,742,888

As at 31 March 2023, the loan receivables from the largest loan customer and the five largest loan customers was HK\$1.5 million (representing approximately 14.0%) and approximately HK\$4.8 million (representing approximately 45.0%) respectively, and around 10% of the loans granted have third-party guarantees.

(III) Loan Impairments

SE reviews regularly the recoverable amount of loan receivables by taking into account of the market conditions, customers' profiles including any significant changes in the payment status of the borrowers and quality of third-party guarantees to ensure that adequate impairment is made for the irrecoverable amounts.

During the year ended 31 March 2023, a loan impairment of HK\$34,649 (2022: nil) was recognized for the loan receivables. The loan impairment assessment was prepared on the basis of Expected Credit Loss in accordance with "HKFRS 9 — Financial Instruments".

For detailed impairment policies, please refer to clause 2.10 of the Summary of Significant Accounting Policies of the 2023 Annual Report.

Material Impairment of Goodwill

Since the outbreak of the covid pandemic, the PRC market has been locked down for a long period of time, this heavily affected the retail market and also directly affected to our furniture agency business in China. Significant drop of demand; shipping problems with travel restrictions leading to significant drop of revenue when compared to FY2022 and FY2021.

The Company is in the view that the market would take significant amount of time to fully recover and foresee the performance of furniture agency business in PRC would not be back on track in the foreseeable future. After considering all the above factors, the Company considered that there is a significant chance that an impairment is required on the goodwill and thus engaged with an independent third-party valuer to perform the impairment assessment. The valuer performed the assessment by comparing the VIU of the CGU with its carrying amount and concluded that an impairment of approximately HK\$14.7 million would be appropriate. The methodology remains unchanged from previous year with the same assumptions.

(I) Impairment on Goodwill

During the Reporting Year, the financial performance of the Hong Kong Italiving CGU was unable to achieve the forecast prepared in last year. As a result, management of the Company revised the financial projection of Hong Kong Italiving CGU downward and hence recognising an impairment loss on goodwill. Management determined budgeted revenue based on past performance, existing sales contracts, and expectations for market development.

The Group has engaged an independent professional valuer, ValQuest Advisory Hong Kong Limited (the “**Valuer**”), to conduct valuation in relation to impairment assessment (the “**Valuation**”) to support the calculation of impairment loss on goodwill. The Company, the auditor of the Company and the Valuer had been in active discussion on the valuation for impairment testing.

Income approach was adopted as the valuation methodology for the Valuation. Income approach is commonly adopted in goodwill impairment assessment in accordance to the requirements under HKAS 36 in determining the value-in-use of cash generating units.

Under income approach, the following elements are considered: (1) cash flow projections of the CGU; (2) discount rate; (3) long term growth rate. The cash flow projections adopted in the Valuation as at 31 March 2023 were adjusted downward from those as at 31 March 2022. The table below summarised the key changes of inputs adopted in the Valuation on Hong Kong Italiving CGU:

Financial Projection	FY2023	FY2022
1 st Year Revenue (<i>HKD '000</i>)	58,242	68,791
4 Year Annual Growth	4%	3%–4%
5 Year EBIT Margin	38%–40%	53%–54%

From the Company’s point of view, the drop of revenue created by lack of demand maybe contributed to change of customers’ tastes, high competition, lower entry barrier, removal of travel restrictions, and reduction of purchasing power, increasing logistics costs, etc. Since the outbreak of Covid, the retail market in PRC has been heavily affected by the Lockdown and created direct negative impact for our furniture agency business in China. Significant drop in demand and increase in logistics costs due to travel restrictions lead to significant drop in FY2023 revenue when compared with FY2022’s. The Company is in the view that the path of market recovery is unclear, and it may take a long period of time

for the performance of furniture agency business in PRC back on track. Management of the Company is in the view that the downtrend of the financial projection is considered as reasonable, and an impairment loss on goodwill have made accordingly.

On behalf of the Board
Tree Holdings Limited
TONG Tang Joseph
Chairman and Chief Executive Officer

Hong Kong, 8 August 2023

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