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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)**

## **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018**

### **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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, 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 HIGHLIGHTS

- The Group's revenue amounted to approximately HK\$79.1 million for the year ended 31 March 2018, representing an increase of approximately HK\$1.8 million or 2.3% as compared with the year ended 31 March 2017.
- Excluding the non-recurring expenses of listing-related expenses and share-based compensation expense, the profit and total comprehensive income for the year ended 31 March 2018 of the Group was approximately HK\$6.3 million, representing an increase of approximately HK\$1.1 million or 20.0% as compared with the year ended 31 March 2017.
- The loss and total comprehensive loss of the Group was approximately HK\$10.1 million for the year ended 31 March 2018, representing an increase of approximately HK\$3.0 million or 41.3% as compared with the year ended 31 March 2017.
- Basic and diluted loss per share attributable to equity holders of the Company were HK0.80 cents for the year ended 31 March 2018.
- The board of directors does not recommend the payment of a final dividend for the year ended 31 March 2018.

## ANNUAL RESULTS

The board of directors (the “**Board**”) is pleased to announce the audited consolidated results of the Group for the year ended 31 March 2018, together with the audited comparative figures for the year ended 31 March 2017 as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2018*

	<i>Notes</i>	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
<b>Revenue</b>	4	<b>79,073</b>	77,316
Cost of sales		<b>(25,515)</b>	(26,303)
<b>Gross profit</b>		<b>53,558</b>	51,013
Other income	5	<b>134</b>	286
Selling and marketing expenses		<b>(34,128)</b>	(32,806)
Administrative expenses		<b>(11,597)</b>	(12,118)
Listing-related expenses		<b>(15,747)</b>	(10,066)
Share-based compensation expense		<b>(656)</b>	(2,331)
Finance costs	6	<b>(316)</b>	(140)
<b>Loss before income tax</b>	7	<b>(8,752)</b>	(6,162)
Income tax expense	9	<b>(1,350)</b>	(986)
<b>Loss and total comprehensive loss for the year attributable to equity holders of the Company</b>		<b>(10,102)</b>	(7,148)
<b>Loss per share attributable to equity holders of the Company</b> (expressed in HK cents per share)			
— Basic and diluted	11	<b>(0.80)</b>	(0.60)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		3,094	3,176
Intangible assets		329	389
Cash surrender value of life insurance		1,689	1,609
Deferred tax assets		289	223
		<b>5,401</b>	5,397
<b>Current assets</b>			
Inventories	12	11,375	9,963
Trade and other receivables	13	11,780	11,396
Tax recoverable		–	581
Pledged bank deposits		200	–
Bank balances and cash		35,960	2,499
		<b>59,315</b>	24,439
<b>Current liabilities</b>			
Trade and other payables	14	8,868	10,127
Deferred revenue		885	796
Income tax liabilities		304	–
Interest-bearing borrowings	15	5,009	7,556
		<b>15,066</b>	18,479
<b>Net current assets</b>		<b>44,249</b>	5,960
<b>Total assets less current liabilities</b>		<b>49,650</b>	11,357
<b>Non-current liabilities</b>			
Interest-bearing borrowings	15	335	–
<b>Net assets</b>		<b>49,315</b>	11,357
<b>EQUITY</b>			
Share capital	16	15,840	–
Reserves		33,475	11,357
<b>Total equity</b>		<b>49,315</b>	11,357

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Share capital	Share premium	Capital reserve	Accumulated profits/ (losses)	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 April 2016</b>	–	–	2,487	29,096	31,583
Loss and total comprehensive loss for the year	–	–	–	(7,148)	(7,148)
Transactions with owners					
– Share-based compensation	–	–	2,331	–	2,331
– Dividend paid (Note 10)	–	–	–	(15,409)	(15,409)
Total transactions with owners	–	–	2,331	(15,409)	(13,078)
<b>Balance at 31 March 2017 and 1 April 2017</b>	–	–	4,818	6,539	11,357
Loss and total comprehensive loss for the year	–	–	–	(10,102)	(10,102)
Transactions with owners					
– Issuance of shares under Share Offer (Note 16(iv))	3,960	57,816	–	–	61,776
– Share issuance expenses (Note 16(iv))	–	(14,372)	–	–	(14,372)
– Capitalisation issue (Note 16(iii))	11,880	(11,880)	–	–	–
– Share-based compensation	–	–	656	–	656
Total transactions with owners	15,840	31,564	656	–	48,060
<b>Balance at 31 March 2018</b>	<b>15,840</b>	<b>31,564</b>	<b>5,474</b>	<b>(3,563)</b>	<b>49,315</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

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 (collectively, the "Group") 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.

The Company's shares were listed on GEM of the Stock Exchange on 25 January 2018 (the "Listing").

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

These 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 consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the GEM Listing Rules.

The significant accounting policies that have been used in the preparation of these consolidated financial statements have been consistently applied to all the years presented, unless otherwise stated. The adoption of new and amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in Note 2.2.

The 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 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.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on the management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3 below.

## **2.2 Changes in accounting policy and disclosures**

### **(a) Amended HKFRSs that are effective for annual periods beginning on or after 1 April 2017**

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014–2016 Cycle	Disclosure of Interests in Other Entities

Other than as noted below, the adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

#### *Amendments to HKAS 7 "Disclosure Initiative"*

The amendments require an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Apart from the additional disclosure requirement, the application of these amendments has had no impact on the Group's consolidated financial statements.

**(b) Issued but not yet effective HKFRSs**

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers and the related Amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>3</sup>
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>2</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle <sup>2</sup>

*Notes:*

1. Effective for annual periods beginning on or after 1 January 2018
2. Effective for annual periods beginning on or after 1 January 2019
3. Effective for annual periods beginning on or after 1 January 2021
4. Effective date not yet determined

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.



### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### Allowance for inventories

Net realisable value of inventories (Note 12) is the actual or estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market condition. Management reassesses these estimations at the end of each reporting period.

### 4. REVENUE AND SEGMENT INFORMATION

The Group's operating activities are attributable to a single reportable and operating segment focusing primarily on the sale and distribution of furniture and home accessories in Hong Kong, including the operation of a café inside its retail shop, distribution and licencing of intellectual property rights and the provision of styling and consulting services. This operating segment has been identified on the basis of internal management reports reviewed by the chief operating decision-makers (the "CODM"), being the executive directors of the Group. The CODM mainly reviews revenue derived from sale of furniture and home accessories, distribution and license fee income, food and beverage income, commission income and consulting income, which are measured in accordance with the Group's accounting policies. However, other than revenue information, no operating results and other discrete financial information is available for the assessment of performance of the respective type of revenue. The CODM reviews the overall results of the Group as a whole to make decisions about resources allocation. Accordingly, no segment information is presented. An analysis of the Group's revenue is as follows:

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Sale of furniture and home accessories	<b>73,414</b>	70,373
Distribution and license fee income	<b>3,504</b>	2,720
Food and beverage income	<b>1,641</b>	3,852
Commission income	<b>202</b>	271
Consulting income	<b>312</b>	100
	<b>79,073</b>	77,316

The Group has a large number of customers, no revenue from any individual customer exceeded 10% or more of the Group's revenue during the year ended 31 March 2018 (2017: nil).

As of 31 March 2018 and 2017, all of the non-current assets (other than financial instruments and deferred tax assets) of the Group were located in Hong Kong and all revenue of the Group during the years ended 31 March 2018 and 2017 were originated in Hong Kong.

## 5. OTHER INCOME

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Bank interest income	<b>5</b>	1
Sundry income	<b>129</b>	285
	<b>134</b>	286

## 6. FINANCE COSTS

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Interest expenses on bank borrowings	<b>302</b>	140
Finance charges on obligations under finance lease	<b>14</b>	–
	<b>316</b>	140

## 7. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Auditor's remuneration	<b>410</b>	258
Cost of inventories recognised as expense	<b>25,515</b>	26,303
Depreciation of property, plant and equipment	<b>1,400</b>	1,164
Amortisation of intangible assets	<b>100</b>	98
Operating lease charges in respect of:		
– Warehouse, office and shop premises	<b>10,831</b>	10,749
– Equipment	<b>–</b>	23
Net exchange loss	<b>242</b>	10
Fair value gain on cash surrender value of life insurance	<b>(80)</b>	(65)
Write off of inventories	<b>–</b>	32

**8. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)**

	2018	2017
	HK\$'000	HK\$'000
Salaries, bonus and allowances	19,030	19,596
Retirement benefit scheme contributions	757	749
Share-based compensation expense	656	2,331
	<b>20,443</b>	<b>22,676</b>

**9. INCOME TAX EXPENSE**

	2018	2017
	HK\$'000	HK\$'000
<b>Current tax – Hong Kong</b>		
Current year	1,430	1,012
Over provision in respect of prior years	(14)	(59)
	<b>1,416</b>	<b>953</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(66)	33
Income tax expense	<b>1,350</b>	<b>986</b>

The difference between the actual income tax charge in the consolidated statement of comprehensive income and the amounts which would result from applying the enacted tax rate to loss before income tax can be reconciled as follows:

	2018	2017
	HK\$'000	HK\$'000
<b>Loss before income tax</b>	<b>(8,752)</b>	<b>(6,162)</b>
Tax on loss before income tax, calculated at the statutory rates applicable in the tax jurisdiction concerned	1,246	(1,002)
Tax effect on non-taxable income	(13)	(19)
Tax effect on non-deductible expenses	131	2,066
Over provision in respect of prior years	(14)	(59)
Income tax expense	<b>1,350</b>	<b>986</b>

Notes:

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) British Virgin Islands ("BVI") income tax

The Company's direct subsidiary in BVI was incorporated under the BVI Business Companies Act, 2004 and accordingly, is exempted from BVI income tax.

(c) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the year.

## 10. DIVIDENDS

	Notes	2018 HK\$'000	2017 HK\$'000
Dividend declared and paid by the Company	(a)	–	5,000
Dividend declared and paid by TREE Limited	(b)	–	10,409
		<hr/>	<hr/>
		–	15,409

Notes:

(a) An interim dividend of HK\$50,000 per share amounting to HK\$5,000,000 were paid to the shareholders of the Company during the year ended 31 March 2017.

(b) Dividend disclosed during the year ended 31 March 2017 represented dividend declared before the completion of the reorganisation (the "Reorganisation"), as detailed in the section headed "History, Development and Reorganisation" of the prospectus of the Company dated 12 January 2018 (the "Prospectus"), and paid by TREE Limited to its then shareholder. The dividend declared and payable to Tiptop Honour Limited ("Tiptop"), the immediate and ultimate holding company of the Company, 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.

## 11. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share attributable to equity holders of the Company is based on the following:

	<b>2018</b>	2017
Loss for the year attributable to equity holders of the Company (HK\$'000)	<b>10,102</b>	7,148
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (thousands)	<b>1,259,605</b>	1,188,000
Basic loss per share (expressed in HK cents per share)	<b>0.80</b>	0.60

The weighted average number of ordinary shares used to calculate the basic loss per share for the year ended 31 March 2018 includes (i) 100 ordinary shares in issue at beginning of the year; (ii) 1,187,999,900 new ordinary shares issued under capitalisation issue (Note 16(iii)), as if all these shares had been in issue throughout the year ended 31 March 2018, and (iii) 71,605,000 shares, representing the weighted average of 396,000,000 new ordinary shares issued under the public offer and placing of shares of the Company (the "Share Offer") (Note 16(iv)).

The weighted average number of ordinary shares used to calculate the basic loss per share for the year ended 31 March 2017 has been adjusted retrospectively for the effects of the Reorganisation and capitalisation issue (Note 16(iii)) as if the Reorganisation and the capitalisation issue had been completed on 1 April 2016.

### (b) Diluted loss per share

Diluted loss per share equals the basic loss per share as there were no dilutive potential ordinary shares in existence during the years ended 31 March 2018 and 2017.

## 12. INVENTORIES

	2018 HK\$'000	2017 HK\$'000
Finished goods	10,332	9,963
Goods in transit	1,043	–
	<b>11,375</b>	9,963

## 13. TRADE AND OTHER RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
<b>Trade receivables</b>		
From third parties	1,212	318
From a related company	24	–
	<b>1,236</b>	318
<b>Other receivables</b>		
Deposits, prepayments and other receivables	6,116	5,226
Prepayment to suppliers	828	1,140
Prepayment to a related company	3,600	–
Amount due from a related company	–	471
Prepaid/Deferred IPO costs	–	4,241
	<b>10,544</b>	11,078
	<b>11,780</b>	11,396

The Directors of the Group 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 3 days to the payment vendors. 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:

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
1–30 days	<b>1,226</b>	298
31–90 days	–	19
91–180 days	<b>10</b>	1
	<b>1,236</b>	318

As the end of the reporting period, the Group reviews receivables for evidence of impairment on an individual basis. As at 31 March 2018, none of the trade receivables was determined as individually impaired and written off as bad debts (2017: nil).

The ageing analysis of the Group's trade receivables that were past due as at the reporting date but not impaired, based on due date is as follows:

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
1–90 days past due	<b>67</b>	110
91–180 days past due	<b>10</b>	1
	<b>77</b>	111

As at 31 March 2018, trade receivables of HK\$1,159,000 (2017: HK\$207,000) were neither past due nor impaired. These related to a number of payment vendors for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a number of customers that have a good track record of credit with the Group. Based on past credit and payment history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of trade receivables past due but not impaired.

**(b) Other receivables**

As at 31 March 2018 and 2017, none of the amounts included in other receivables were either past due or impaired.

#### 14. TRADE AND OTHER PAYABLES

		<b>2018</b>	2017
	<i>Note</i>	<b>HK\$'000</b>	HK\$'000
<b>Trade payables</b>			
To third parties	<i>(a)</i>	<b>195</b>	255
<b>Other payables</b>			
Accrued charges and other payables		<b>2,242</b>	3,407
Deposits receipt in advance		<b>6,431</b>	6,465
		<b>8,673</b>	9,872
		<b>8,868</b>	10,127

All amounts are short-term and hence the carrying values of the Group's trade and other payables as at 31 March 2018 and 2017 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:

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
0–30 days	<b>194</b>	245
31–60 days	<b>1</b>	10
	<b>195</b>	255



## 15. INTEREST-BEARING BORROWINGS

	Notes	2018 HK\$'000	2017 HK\$'000
<b>Non-current</b>			
Finance lease liabilities	(a)	<u>335</u>	–
<b>Current</b>			
Current portion of finance lease liabilities	(a)	87	–
Bank borrowings	(b)	<u>4,922</u>	7,556
		<u>5,009</u>	7,556
		<u>5,344</u>	7,556

### (a) Finance lease liabilities

The analysis of the Group's obligations under finance lease is as follows:

	2018 HK\$'000	2017 HK\$'000
Total minimum lease payments:		
Due within one year	107	–
Due in the second to fifth years	<u>366</u>	–
	473	–
Future finance charges on finance lease	<u>(51)</u>	–
Present value of finance lease liabilities	<u>422</u>	–
Present value of minimum lease payments:		
Due within one year	87	–
Due in the second to fifth years	<u>335</u>	–
	422	–
Less: Portion due within one year included under current liabilities	<u>(87)</u>	–
Portion due after one year included under non-current liabilities	<u>335</u>	–

The Group has entered into a finance lease for a motor vehicle. The lease period is for 5 years. Under the terms of the lease, the Group has the option to purchase the lease asset at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the lease. The lease does not include options to renew or any contingent rental provisions. The finance lease bears interest at fixed rate.

Finance lease liabilities are effectively secured by the underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default by repayment by the Group.

**(b) Bank borrowings**

	Notes	2018 HK\$'000	2017 HK\$'000
Bank overdraft, unsecured	(a)	–	2,320
Bank loans:			
Secured	(b)	<b>2,739</b>	760
Unsecured	(c)	<b>2,183</b>	4,476
		<b>4,922</b>	7,556

As at 31 March 2018 and 2017, all of the Group's bank borrowings contain a repayable on demand clause and are shown under current liabilities. The carrying amounts of bank borrowings are considered to be a reasonable approximate of their fair values. As at 31 March 2018 and 2017, the Group's bank borrowings, based on the scheduled repayment dates set out in the loan agreements, were repayable as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year or on demand	<b>2,775</b>	4,796
In the second year	<b>759</b>	2,300
In the third to fifth year	<b>1,388</b>	460
	<b>4,922</b>	7,556

*Notes:*

- (a) As at 31 March 2017, bank overdrafts of HK\$2,320,000 were guaranteed by Mr. Tong Tang Joseph ("Mr. Tong"), a Director of the Company and the controlling shareholder of Tiptop, up to a limit of HK\$3,000,000.
- (b) As at 31 March 2018, the bank borrowings of HK\$585,000 (2017: HK\$760,000) are secured, repayable by monthly instalments with terms of 7 years and bears interest at floating rates. The bank borrowings are denominated in the United States Dollars ("USD"), with effective interest rate of 3.50% (2017: 2.75%) per annum as at 31 March 2018. As at 31 March 2018 and 2017, the bank borrowings are secured by the Group's life insurance policy covering Ms. Nicole Lucy Haslock, a Director of the Company, with sum insured of USD1,000,000.

As at 31 March 2018, the bank borrowings of HK\$2,154,000 (2017: nil) are secured, repayable by monthly instalments with terms of 5 years and bears interest at floating rates. The bank borrowings are denominated in Hong Kong dollars, with effective interest rate of 3.75% (2017: nil) per annum as at 31 March 2018. As at 31 March 2018, the bank borrowings are secured by the Group's fixed deposits of HK\$200,000 (2017: nil). In addition to the above, the bank borrowings were guaranteed by Mr. Tong up to a limit of HK\$2,500,000.

- (c) As at 31 March 2018, the bank borrowings of HK\$912,000 (2017: HK\$1,719,000) are unsecured, repayable by monthly instalments with terms of 5 years and bears interest at floating rates. The bank borrowings are denominated in Hong Kong dollars, with effective interest rate of 4% (2017: 4%) per annum as at 31 March 2018.

As at 31 March 2018, bank borrowings of HK\$1,271,000 (2017: HK\$2,757,000) are unsecured, repayable by monthly instalments with terms of 2 years and bears interest at floating rates. The bank borrowings are denominated in Hong Kong dollars, with effective interest rate of 3% (2017: 3%) per annum as at 31 March 2018. As at 31 March 2018, the bank borrowings were guaranteed by the Company (2017: Mr. Tong) up to a limit of HK\$6,000,000 (2017: HK\$6,000,000).

The Group's banking facilities are subject to the fulfilment of covenants as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become payable on demand. In addition, the bank loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations. The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements.

## 16. SHARE CAPITAL

	Notes	Number of shares	Nominal value of shares HK\$'000
<b>Authorised:</b>			
Ordinary shares of HK\$0.01 each			
At 1 April 2016, 31 March 2017 and 1 April 2017			
		38,000,000	380
Increase in authorised share capital	(i)	4,962,000,000	49,620
		<b>5,000,000,000</b>	<b>50,000</b>
<b>At 31 March 2018</b>			
<b>Issued and fully paid:</b>			
Ordinary shares of HK\$0.01 each			
At 1 April 2016			
		1	–
Allotment of shares	(ii)	99	–
		100	–
At 31 March 2017 and 1 April 2017			
Capitalisation issue	(iii)	1,187,999,900	11,880
Issuance of shares under Share Offer	(iv)	396,000,000	3,960
		<b>1,584,000,000</b>	<b>15,840</b>
<b>At 31 March 2018</b>			

Notes:

- (i) Pursuant to the written resolution of the shareholders dated 5 January 2018, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 ordinary shares of HK\$0.01 each by the creation of additional 4,962,000,000 ordinary shares, all of which shall rank pari passu in all respects with the existing shares of the Company.
- (ii) On 29 July 2016, two ordinary shares of TREE Limited were transferred from Tiptop to the Group at the consideration of 99 ordinary shares of HK\$0.01 each allotted and issued by the Company to Tiptop. These shares rank pari passu with the existing shares in all respects.
- (iii) Pursuant to the written resolution of the shareholders dated 5 January 2018, 1,187,999,900 ordinary shares of HK\$0.01 each were allotted and issued, credited as fully paid at par, by way of capitalisation of the sum of approximately HK\$11,880,000 standing to the credit of the share premium account of the Company.
- (iv) Upon Listing on 25 January 2018 (the "Listing Date"), the Company issued 396,000,000 new ordinary shares of HK\$0.01 each at a price of HK\$0.156 per share by way of Share Offer. The gross proceeds of approximately HK\$61,776,000 of which HK\$3,960,000, representing the par value of these ordinary shares, was credited to the share capital of the Company and the remaining proceeds of HK\$57,816,000 was credited to the share premium account of the Company.

Incremental costs that are directly attributable to the issue of the new shares amounting to HK\$14,372,000 was treated as a deduction against the share premium account arising from the issuance.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

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) consignment sales; (iii) the distribution and licencing of our intellectual property rights; (iv) the provision of styling and consulting services; and (v) the operation of TREE café in our flagship store in Ap Lei Chau (the “**Flagship Store**”). 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.

As at the date of this announcement, we operated three “TREE” retail stores in Hong Kong namely, our Flagship Store, our Sha Tin store which we opened in October 2016, and our Yuen Long store which we opened in May 2018.

During the year ended 31 March 2018, 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 (v) provision of styling and consulting services. The table below sets forth a breakdown of our revenue for the years ended 31 March 2018 and 2017:

	Year ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
Sale of furniture and home accessories	<b>73,414</b>	70,373
Distribution and license fee income	<b>3,504</b>	2,720
Food and beverage income	<b>1,641</b>	3,852
Commission income	<b>202</b>	271
Consulting income	<b>312</b>	100
	<hr/>	
	<b>79,073</b>	77,316
	<hr/>	

For the year ended 31 March 2018 (“**FY2018**”), our revenue amounted to approximately HK\$79.1 million, representing an increase of approximately HK\$1.8 million or 2.3% from approximately HK\$77.3 million for year ended 31 March 2017 (“**FY2017**”). Such increase was mainly attributable to the increase in the sale of furniture and home accessories and distribution and license fee income.

## 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 PRC distributor, 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 FY2018 and FY2017, respectively.

	FY2018		FY2017	
	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 %
<b>Direct Sales</b>				
Flagship Store	53,611	73.0	56,974	81.0
Sai Kung store <sup>(1)</sup>	2,131	2.9	2,685	3.8
SoHo store <sup>(2)</sup>	-	-	2,069	2.9
Sha Tin store <sup>(3)</sup>	15,836	21.6	6,242	8.9
<b>Sub-total</b>	<b>71,578</b>	<b>97.5</b>	67,970	96.6
<b>Distribution Sales</b>	<b>1,836</b>	<b>2.5</b>	2,403	3.4
<b>Total</b>	<b>73,414</b>	<b>100.0</b>	70,373	100.0

Notes:

- (1) Our Sai Kung store ceased operations in May 2018.
- (2) Our SoHo store ceased operations in July 2016.
- (3) Our Sha Tin store commenced operations in October 2016.

For FY2018, revenue generated from the Direct Sales amounted to approximately HK\$71.6 million, representing an increase of approximately HK\$3.6 million or 5.3% from approximately HK\$68.0 million for FY2017. Such increase was primarily attributable to the increase in sales at our Sha Tin store which operated for 12 months for FY2018 versus 5.5 months for FY2017, as Sha Tin Store was opened in October 2016, partially offset by the decrease in sales at our Flagship Store and Sai Kung store.

For FY2018, revenue generated from the Distribution Sales amounted to approximately HK\$1.8 million, representing a decrease of approximately HK\$0.6 million or 23.6% from approximately HK\$2.4 million for FY2017.

### **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\$3.5 million for FY2018 and HK\$2.7 million for FY2017, respectively, representing approximately 4.4% and 3.5% of our total revenue for FY2018 and FY2017, respectively.

We entered into licence agreements with American Tree, Ltd. ("**American Tree**"), as detailed in the Prospectus, pursuant to which, we granted an exclusive licence to American Tree to use certain trademarks and intellectual property of our Group in the United States and Canada for a term of three years from the Listing Date, for a license fee based on the revenue of American Tree. We recognised license fee income of approximately HK\$24,000 from American Tree for FY2018, while no license fee from American Tree was recognised for FY2017.

### **Food and beverage income**

Our food and beverage income generated from operating TREE Café in our Flagship Store was approximately HK\$1.6 million and HK\$3.9 million for FY2018 and FY2017, respectively. Our Directors believe that the arrangement of serving food and beverage using disposable utensils at TREE Café and all the food and beverages sold only for takeaway affected our customers' willingness to purchase from our TREE Café given that our food factory licence only allows us to prepare food for sale for human consumption off our premises and therefore resulted in the decrease in our food and beverage income for FY2018.

## **Commission income**

Our commission income comprised income generated from the sales of consignment goods. The commission income generated from consignment sales was approximately HK\$0.2 million and HK\$0.3 million for FY2018 and FY2017, respectively.

## **Consulting income**

Our consulting income generated from the provision of styling and consulting services was approximately HK\$0.3 million and HK\$0.1 million for FY2018 and FY2017, respectively. We were engaged and commenced the provision of styling and consulting services to a property developer for the show flats of two residential properties located in Ho Man Tin and Tuen Mun for FY2018 while we provided styling and consulting services to an individual customer in Hainan, the PRC, for FY2017.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue increased to approximately HK\$79.1 million for FY2018 from approximately HK\$77.3 million for FY2017, representing a growth of approximately 2.3%. Such increase was mainly due to the increase in both sale of furniture and home accessories and distribution and license fee income recognised by the Group, growth of the direct sale from our Sha Tin store which was 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.

### **Gross profit and gross profit margin**

Our overall gross profit increased to HK\$53.6 million for FY2018 from HK\$51.0 million for FY2017. Our overall gross profit margin maintained at approximately 67.7% for FY2018.

Our gross profit margin for the sale of furniture and home accessories increased to approximately 66.3% for FY2018 from approximately 65.1% for FY2017, mainly attributable to the increase in the average selling price of our furniture sold during FY2018. Our gross profit margin for the Distribution Sales increased from approximately 52.4% for FY2017 to approximately 57.8% for FY2018, mainly attributable to the increase in average selling price.



Our gross profit margin for the sale of food and beverages decreased to approximately 53.8% for FY2018 from approximately 54.9% for FY2017.

### **Selling and marketing expenses**

Our selling and marketing expenses comprised of (i) rental payments 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.

For FY2018, our selling and marketing expenses amounted to approximately HK\$34.1 million, representing an increase of approximately HK\$1.3 million or approximately 4.0% from approximately HK\$32.8 million for FY2017. Such increase was mainly due to (i) the increase in rental expenses as a result of our Sha Tin store which operated 12 months for FY2018 versus 5.5 months for FY2017; and (ii) the increase in staff costs resulting from the general increment of salary of our staff for FY2018.

### **Administrative expenses**

Our administrative expenses comprised (i) staff costs for our administrative staff and Directors' emoluments, but excluding share-based compensation expense; (ii) professional fees which included legal fees, consultancy fees and auditor's remuneration; (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.

For FY2018, our administrative expenses amounted to approximately HK\$11.6 million, representing a decrease of approximately HK\$0.5 million or approximately 4.3% as compared to approximately HK\$12.1 million for FY2017. Such decrease was primarily due to one of our staff was on special leave during FY2018, and hence lowered our total salaries for FY2018.

## **Listing-related expenses**

We incurred listing-related expense in the amount of approximately HK\$15.7 million and HK\$10.1 million for FY2018 and FY2017, respectively.

## **Share-based compensation expense**

Share-based compensation expense of the Group decreased to HK\$0.7 million for FY2018 from approximately HK\$2.3 million for FY2017. Share-based compensation expense was incurred due to the incentive shares and the put option granted to Ms. Mary Kathleen Babington, a director of the Company, in June 2015. The decrease was mainly due to the end of the vesting period on 30 June 2017.

## **Finance costs**

Finance costs mainly comprised interest expenses on bank borrowings. Finance costs were approximately HK\$0.3 million and HK\$0.1 million for FY2018 and FY2017, respectively.

## **Income tax expense**

Income tax expense for the Group increased to approximately HK\$1.4 million for FY2018 from approximately HK\$1.0 million for FY2017. The increase was mainly due to the increase in profit before tax generated by one of the subsidiaries of our Group.

## **Loss for the year**

As a result of the foregoing, our loss for the year amounted to approximately HK\$10.1 million for FY2018. The increase in loss of approximately HK\$3.0 million or 41.3% was attributable to the increase in the non-recurring listing-related expenses.

Our adjusted net profit for the year after excluding listing-related expenses and share-based compensation expense amounted to approximately HK\$6.3 million and HK\$5.2 million for FY2018 and FY2017 respectively.

## **KEY FINANCIAL POSITION ITEMS**

### **Inventories**

Our inventories consisted of finished goods and goods in transit which we purchased from our suppliers. The inventories balance increased to HK\$11.4 million as at 31 March 2018 from HK\$10.0 million as at 31 March 2017, which was mainly in line with the change in revenue.

### **Trade and other receivables**

Our trade receivables consisted of trade receivables from customers and payment vendors. As at 31 March 2018 and 2017, our trade receivables amounted to approximately HK\$1.2 million and HK\$0.3 million, respectively. The increase by approximately HK\$0.9 million was mainly due to the increase in trade receivables from our payment vendors.

Our other receivables consisted of rental deposits, utilities deposits, trade deposits, prepayments, amount due from a related company and prepayment to a related company. As at 31 March 2018 and 2017, our other receivables amounted to approximately HK\$10.5 million and HK\$11.1 million, respectively. The decrease was mainly due to the expense and capitalisation of the prepaid/deferred IPO costs upon Listing, offset by the increase in prepayment to a related company.

### **Pledged bank deposits and cash and cash equivalents**

As at 31 March 2018, our pledged bank deposits of approximately HK\$0.2 million represents deposits pledged to a bank to secure a bank borrowing.

Cash and cash equivalents include cash at bank and in hand. As at 31 March 2018 and 2017, our cash and cash equivalents amounted to approximately HK\$36.0 million and HK\$2.5 million, respectively. The increase by approximately HK\$33.5 million was mainly due to the net proceeds received from the Share Offer associated with the Listing.

### **Trade and other payables**

Our trade payables consisted of trade payables to suppliers in relation to the purchase of goods. There were no credit periods granted by our suppliers. As at 31 March 2018 and 2017, our trade payables amounted to approximately HK\$0.2 million and HK\$0.3 million, respectively.

Our other payables comprised accrued charges, deposits received in advance which represented unrecognised revenue from customers where delivery of products is required and pending, and provision for long services payments. As at 31 March 2018 and 2017, our other payables amounted to approximately HK\$8.7 million and HK\$9.9 million, respectively. The decrease in other payables was mainly due to the settlement of the accrued listing-related expenses during the year.

### **Interest-bearing borrowings**

As at 31 March 2018 and 2017, our Group recorded interest-bearing borrowings of approximately HK\$5.3 million and HK\$7.6 million, respectively. The decrease in interest-bearing borrowings was mainly due to the settlement of bank overdraft during the year.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 March 2018, the Group had total assets of approximately HK\$64.7 million, which is financed by total liabilities and shareholders' equity of approximately HK\$15.4 million and HK\$49.3 million, respectively. The Group's current ratio at 31 March 2018 was approximately 3.9 compared to approximately 1.3 at 31 March 2017.

### **Gearing ratio**

The gearing ratio of the Group as at 31 March 2018 was approximately 10.8% while as at 31 March 2017 was approximately 66.5%. The gearing ratio decreased significantly as the Group enlarged its capital structure by the receipt of net proceeds received from the Share Offer associated with the Listing.

The gearing ratio is calculated based on the total interest-bearing borrowings divided by total equity as at the respective reporting date.

### **Capital expenditure**

Total capital expenditure for the year ended 31 March 2018 was approximately HK\$1.3 million, which was mainly used for the purchase of motor vehicles and leasehold improvements.

## **Contingent liabilities**

As at 31 March 2018, there were no significant contingent liabilities for the Group.

## **Commitments**

As at 31 March 2018, the Group's operating lease commitments was approximately HK\$22.2 million (2017: HK\$20.2 million).

As at 31 March 2018, there were no capital commitments of the Group related to purchase of property, plant and equipment (2017: approximately HK\$0.5 million).

## **Charges on group assets**

As at 31 March 2018, pledged bank deposits with carrying amount of approximately HK\$0.2 million (2017: nil) and motor vehicle with net book value of approximately HK\$0.4 million (2017: nil) were pledged as securities for the Group's certain banking facilities (Note 15).

## **Segment information**

Segmental information is presented for the Group as disclosed on note 4 to the consolidated financial statements.

## **CAPITAL STRUCTURE**

The shares of the Company were successfully listed on GEM of the Stock Exchange on 25 January 2018. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 31 March 2018, the Company's issued share capital was HK\$15,840,000 and the number of its issued ordinary shares was 1,584,000,000 of HK\$0.01 each.

## **DIVIDENDS**

The Board does not recommend the payment of a final dividend for the year ended 31 March 2018.

## **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

The companies comprising the Group underwent the Reorganisation to rationalise the Group's structure in preparation for the Listing. Details of the Reorganisation were set out in the section headed "History, Development and Reorganisation" of the Prospectus. Save for disclosed in the Prospectus, there was no significant investments, material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 March 2018.

## **FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Save as disclosed herein, the Group did not have any concrete plan for material investments or capital assets for the coming year.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

In the course of conducting business, our Group is exposed to various types of risks, including operational risks, credit risks, liquidity risk and interest rate risks. Our Group has established a set of risk management policies and measures to identify, evaluate and manage risks arising from our operations.

The followings set out some of the primary operational risks our Group faces that may materially and adversely affect our Group's business, financial condition and results of operation and our risk management measures:

### **1. Risk of remaining competitive in a highly fragmented and competitive market**

The lifestyle furniture and home furnishing market is highly fragmented and competitive with low barriers to entry, and there are no specific market leaders. Our competitors may have greater financial, marketing, personnel and other relevant resources compared to us. In particular, the pricing strategies implemented by our competitors may affect the pricing of our products. If our competitors significantly reduce their product prices, we may have to reduce our selling prices or engage in further marketing to remain competitive. This would likely reduce our revenue and profitability.

## **2. Risk of dependent on the shift in customer's tastes and preferences**

Due to the nature of the furniture retail industry, the customers generally purchase our products on an infrequent basis. Apart from the PRC distributor, there is no purchase commitments from our customers and there is no obligation for them to purchase any products from TREE in the future. There is a risk that we may not be able to attract new customers or existing customers to purchase our products if we fail to successfully track changing customers tastes and preferences and market trends.

## **3. Risk of failure in expanding sales network to new locations in Hong Kong or through online platform**

It may take longer than expected for the new stores to reach breakeven or achieve investment payback, if at all. There is no guarantee that we will execute our expansion plans according to business strategies in the Prospectus successfully, or that we will be able to attract more customers from our expansion. If we fail to execute our expansion plans, our operations and results of operations will be materially and adversely affected.

## **4. Risk of not entering into any long-term contracts with our major suppliers**

We rely on our major suppliers to supply products to us and we do not have any long-term contracts with these suppliers. As such, we are exposed to the risks such as unexpected price fluctuation, shortage of supply of products, failure to meet our agreed delivery time and refusal to supply products. In such case, we would have to look for alternative suppliers and we may not be able to do so in a timely manner and/or at a similar price with comparable quality. Further, if we fail to replace our major suppliers when our business relationship is disrupted or terminated, we may face a shortage in supply of certain products and our business and results of operations may be adversely affected as a result.

The Group is also exposed to a variety of financial risks which comprise credit risk, liquidity risk and interest rate risk.

## **FOREIGN CURRENCY RISK**

As our Group's revenue and expenses are mainly denominated in HK\$ and most of our Group's assets and liabilities are denominated in HK\$, which is our functional currency, except for certain overseas purchases, bank balances and bank borrowings which are denominated in US\$. We do not have a foreign currency hedging policy as the HK\$ is pegged to the US\$, and thus, foreign exchange exposure is considered as minimal. As at 31 March 2018, our Group did not have significant foreign currency risk from its operation.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 March 2018, the Group had a total of 63 employees. Total staff costs, (including Directors' emoluments and share-based compensation expense) of approximately HK\$20.4 million for FY2018 (FY2017: HK\$22.7 million).

The Group's remuneration policies were determined with reference to the performance, qualification and experience of individual employee, as well as the results of the Group and the market conditions. We have also adopted the share option scheme which is designed to provide incentives and rewards to our employees.

## **SIGNIFICANT INVESTMENT HELD**

Except for investment in subsidiaries, the Group did not hold any significant investments during the year ended 31 March 2018.

## **PROSPECTS**

The forthcoming financial year is expected to be challenging due to the competitive market conditions in the industry. In view of this, the management recognises the need to further enhance the Group's market presence in Hong Kong - steps already taken include a new retail store opened in Yuen Long in May 2018. The Group has also been proactively looking for potential locations to further open new retail stores and expanding the portfolio and reach of TREE in the market. The Group also sees increasing opportunities in styling and consulting services which would help to diversify the Group's revenue streams beyond the sale and distribution of furniture and home accessories. With these measures, the management believes that the Group will be able to maintain sustainable growth.



## **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 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 31 March 2018, the Group has utilised HK\$0.8 million of the actual net proceeds from the Listing for the deposit and rental of the Yuen Long store opened in May 2018.

## **OTHER INFORMATION**

### **PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY**

The Company's shares were successfully listed on GEM on 25 January 2018. Save as the Listing, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2018.

### **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to fulfilling its responsibilities to the shareholders and protecting and enhancing shareholders' value through good corporate governance. Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability.

The Company has applied the principles and code provisions in the Corporate Governance Code (the "**CG Code**") and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the CG Code from the Listing Date up to 31 March 2018.

### **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the required standard of the code of conduct for dealings in securities of the Company by the Directors as set out in Rules 5.46 to 5.68 of the GEM Listing Rules. Having made specific enquiries to all Directors, all Directors confirmed that they have fully complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company, and there was no event of non-compliance from the Listing Date up to the date of this announcement.

## **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

No transactions, arrangements or contracts of significance to which any of the Company, or any of its holding companies or fellow subsidiaries or subsidiaries was a party and in which a Director of the Company or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 March 2018 or at any time during the year ended 31 March 2018.

## **COMPETING BUSINESS AND CONFLICT OF INTEREST**

As confirmed by the Directors, 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 year ended 31 March 2018.

## **AUDIT COMMITTEE**

We established our Audit Committee with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C3.3 of the Corporate Governance 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.

As at the date of this announcement, the Audit Committee consists of three members, namely Mr. YEUNG Man Chung Charles, Mr. TSANG Wai Yin and 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 annual results of the Group for the year ended 31 March 2018.

## **SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2018 have been agreed by the Company's auditors, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton Hong Kong Limited on the preliminary announcement.

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

Hong Kong, 13 June 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 will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company's website at <https://treeholdings.com>.*